



華營建築集團控股有限公司

CR CONSTRUCTION GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 1582

SHARE OFFER

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



IMPORTANT

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

CR Construction Group Holdings Limited 華營建築集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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

Total number of Offer Shares : 138,850,000 Shares
Number of Public Offer Shares : 13,885,000 Shares (subject to re-allocation)
Number of Placing Shares : 124,965,000 Shares (subject to re-allocation)
Offer Price : Not more than HK\$1.4 per Offer Share and
expected to be not less than HK\$1.0 per
Offer Share plus brokerage of 1%, SFC
transaction levy of 0.0027% and Stock
Exchange trading fee of 0.005% (payable in
full on application and subject to refund (if
any))
Nominal value : HK\$0.01 per Share
Stock code : 1582

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The final Offer Price is expected to be determined by agreement among our Company, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the other Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 4 October 2019 or on such later date as may be agreed among our Company, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the other Underwriters) and, in any event, not later than Thursday, 10 October 2019. Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will be not more than HK\$1.4 and is currently expected to be not less than HK\$1.0 per Share, unless otherwise announced.

Applicants for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.4 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Joint Bookrunners and the Joint Lead Managers, on behalf of the Underwriters, may, with our Company's consent, reduce the number of Offer Shares under the Share Offer and/or the Offer Price stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of reduction in the number of Offer Shares and/or the Offer Price will be published on the website of the Stock Exchange at www.hkexnews.hk and website of our Company at www.cr-construction.com.hk not later than the morning of the last day for lodging applications under the Public Offer. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections "Structure and conditions of the Share Offer" and "How to apply for Public Offer Shares and Employee Reserved Shares".

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including risk factors set out in the section "Risk factors". Pursuant to the Public Offer Underwriting Agreement, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) have the right in certain circumstances to terminate the obligations of the Public Offer Underwriters at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section "Underwriting" in this prospectus.

27 September 2019

EXPECTED TIMETABLE

If there is any change in the following expected timetable, our Company will issue a separate announcement to be published on the websites of the Stock Exchange (www.hkexnews.hk) and of our Company (www.cr-construction.com.hk).

2019^(Note 1)

Latest time to lodge **PINK** Application Form 12:00 noon on Wednesday, 2 October

Latest time to complete electronic applications
under the **HK eIPO White Form** service through
the designated website at www.hkeipo.hk^(Note 2) 11:30 a.m. on Thursday, 3 October

Application lists open^(Note 3) 11:45 a.m. on Thursday, 3 October

Latest time to lodge **WHITE** and **YELLOW**
Application Forms and to give **electronic**
application instructions to HKSCC^(Note 4) 12:00 noon on Thursday, 3 October

Latest time to complete payment of **HK eIPO White**
Form applications by effecting internet banking
transfer(s) or PPS payment transfer(s)^(Note 2) 12:00 noon on Thursday, 3 October

Application lists close^(Note 3) 12:00 noon on Thursday, 3 October

Expected Price Determination Date^(Note 5) Friday, 4 October

(a) Announcement of the final Offer Price, the indication
of level of interest in the Placing, the results of
applications in the Public Offer and Employee Preferential
Offering and the basis of allocation under the Public Offer
and Employee Preferential Offering to be published on the
website of our Company at www.cr-construction.com.hk;
and on the website of the Stock Exchange at
www.hkexnews.hk on or before. Tuesday, 15 October

(b) Results of allocations in the Public Offer
(with successful applicants' identification
document or business registration numbers,
where appropriate) and Employee Preferential Offering
to be available through a variety of channels as described
in the section headed "How to apply for
the Public Offer Shares and Employee
Reserved Shares — 11. Publication of results" from Tuesday, 15 October

EXPECTED TIMETABLE

2019

A full announcement of the Public Offer and Employee Preferential Offering containing (a) and (b) above to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.cr-construction.com.hk ^(Note 6) Tuesday, 15 October

Results of allocations in the Public Offer and Employee Preferential Offering will be available at www.tricor.com.hk/ipo/result (alternatively, www.hkeipo.hk/iporesult) with a "search by ID" function on Tuesday, 15 October

Despatch of share certificates of the Public Offer Shares and Employee Reserved Shares or deposit of share certificates of the Public Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before ^(Notes 7 & 8) Tuesday, 15 October

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (in the event that the final Offer Price is less than initial price per Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before ^(Notes 9 & 10) Tuesday, 15 October

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Wednesday, 16 October

Notes:

- (1) All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of our Company at www.cr-construction.com.hk and the website of the Stock Exchange at www.hkexnews.hk.
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m. you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 October 2019, the application lists will not open and close on that day. Please refer to the section headed "How to apply for Public Offer Shares and Employee Reserved Shares — 10. Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on Thursday, 3 October 2019, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.

EXPECTED TIMETABLE

- (4) Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed “How to apply for Public Offer Shares and Employee Reserved Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Friday, 4 October 2019 and in any event, not later than Thursday, 10 October 2019. If, for any reason, the final Offer Price is not agreed by 6:00 p.m. on Thursday, 10 October 2019 between the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse.
- (6) None of the information contained on any website forms part of this prospectus.
- (7) Applicants who apply for 1,000,000 or more Employee Reserved Shares or Public Offer Shares and have provided all information required in the respective application forms may collect share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 October 2019 or any other date as notified by us as the date of despatch of share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who is eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants’ own risk. Further information is set out in the section headed “How to apply for Public Offer Shares and Employee Reserved Shares” in this prospectus.
- (8) **Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Wednesday, 16 October 2019, provided that (i) the Share Offer has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates become valid certificates do so entirely at their own risk.**
- (9) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the initial price payable per Public Offer Share on application. Part of the applicant’s Hong Kong identity card number/passport number or, if the application is made by joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of the applicant’s Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of the applicant’s Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate the refund cheque. Further information is set out in the section headed “How to apply for Public Offer Shares and Employee Reserved Shares” in this prospectus.

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

- (10) Applicants who apply for Public Offer Shares via HK eIPO White Form should refer to the section headed “How to apply for Public Offer Shares and Employee Reserved Shares — 13. Refund of application monies” in this prospectus.

Particulars of the structure and conditions of the Share Offer, including the conditions thereto, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus. Details relating to how to apply for the Public Offer Shares and Employee Reserved Shares are set out in the section headed “How to apply for Public Offer Shares and Employee Reserved Shares” in this prospectus.

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You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As the following is only a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares.

Various expressions used in this summary are defined in the section headed “Definitions” in this prospectus.

BUSINESS OVERVIEW

Established in 1967, we are one of the leading building contractors in Hong Kong with over 50 years of experience. We principally act as a main contractor in building construction works and RMAA works projects across public and private sectors in Hong Kong. According to the CIC Report, we ranked the third among all main contractors in Hong Kong in terms of revenue from building construction works for the year ended 31 December 2018 with a market share of approximately 5.2%.

During the Track Record Period, we mainly took the role of main contractor. As a main contractor, we are responsible for (i) overall management of the projects; (ii) formulating work programmes; (iii) engaging subcontractors and supervising their works; (iv) sourcing construction materials; (v) communication and coordination with our customers and their consultant teams; and (vi) safeguarding compliance with safety, environmental and other contractual requirements.

During the Track Record Period, all of our building construction works and most of our RMAA works were project-based while some of our RMAA works, in particular maintenance works, were term contract based. During the same period, we derived the majority of our revenue from building construction works and experienced significant growth in our revenue. Our revenue by type of services provided during the Track Record Period is set out below:

	For the year ended 31 December						For the three months ended	
	2016		2017		2018		31 March	
	HK\$'	%	HK\$'	%	HK\$'	%	HK\$'	%
	million		million		million		million	
Building construction works	2,212.9	85.9	2,880.8	91.7	4,667.9	97.0	1,073.8	96.3
RMAA works	364.5	14.1	260.6	8.3	146.0	3.0	41.2	3.7
Total	2,577.4	100.0	3,141.4	100.0	4,813.9	100.0	1,115.0	100.0

Our customers

Our customers can be divided into two categories: (a) customers from the public sector including various Government departments such as the Housing Authority and the Education Bureau, educational institutions and NGOs; and (b) customers from the private sector such as private property developers and other listed and private companies. Our projects during the Track Record Period were generally secured by tendering. A breakdown of our revenue by customer sectors during the Track Record Period is set out below:

	For the year ended 31 December						For the three months ended	
	2016		2017		2018		31 March	
	HK\$' million	%	HK\$' million	%	HK\$' million	%	HK\$' million	%
Private sector	1,812.1	70.3	2,669.2	85.0	4,366.4	90.7	1,044.8	93.7
Public sector	765.3	29.7	472.2	15.0	447.5	9.3	70.2	6.3
Total	2,577.4	100.0	3,141.4	100.0	4,813.9	100.0	1,115.0	100.0

SUMMARY

For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, our largest customer accounted for approximately 29.1%, 18.9%, 20.5% and 44.0% of our total revenue, respectively, while our five largest customers in aggregate accounted for approximately 65.2%, 58.0%, 70.4% and 85.0% of our total revenue, respectively.

Our suppliers

As at the Latest Practicable Date, we had over a hundred of internally approved suppliers who provide us with construction material, machinery rental service and other construction site services. For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, purchase from our largest supplier representing approximately 21.7%, 13.7%, 9.5% and 20.2% of our total purchase from suppliers, respectively, while the purchase from our five largest suppliers in aggregate accounted for approximately 48.4%, 52.2%, 43.8% and 44.5% of our total purchase from suppliers in the corresponding periods, respectively.

Our subcontractors

It is the industry practice for us, as a main contractor, to subcontract on-site physical works including but not limited to foundation works, general building works, granite works and fitting out works to our approved subcontractors. For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, our Group's subcontracting fees amounted to approximately HK\$2,106.9 million, HK\$2,301.9 million, HK\$3,860.6 million and HK\$898.5 million, respectively, representing approximately 85.8%, 77.4%, 83.4% and 84.6% of our contract costs in the same periods. During the same periods, our largest subcontractor accounted for approximately 10.8%, 6.9%, 5.5% and 5.2% of our subcontracting fees respectively, while our five largest subcontractors in aggregate accounted for approximately 26.3%, 24.2%, 23.1% and 21.6% of our total subcontracting fees in the same respective years.

Our projects

We have completed 16 building construction works projects and nine RMAA works projects during the Track Record Period, the aggregate original contract sum of which amounted to approximately HK\$8,710.9 million and HK\$876.5 million, respectively. After the Track Record Period and up to the Latest Practicable Date, we have completed two building construction works projects, with aggregate original contract sum of approximately HK\$254.5 million. We had nine building construction works projects and eight RMAA works projects with an aggregate original contract sum of approximately HK\$10,403.1 million and HK\$1,488.6 million, respectively, which were in progress as at the Latest Practicable Date. As at the Latest Practicable Date, we have been awarded one RMAA works project with an original contract sum of approximately HK\$3.2 million, in which we have not commenced on-site works. For details, please refer to the section headed "Business — Our project" of this prospectus.

Completed projects

The following table sets out the details of our five largest completed projects in terms of original contract sum during the Track Record Period and up to the Latest Practicable Date:

Project Code	Customer	Type of projects	Customer sector	Project period (Note 1)	Original contract sum (approximately HK\$' million) (Note 2)	Revenue derived from the project during the year ended 31 December				Revenue derived from the project during the three months ended 31 March 2019
						2016 (approximately HK\$' million)	2017 (approximately HK\$' million)	2018 (approximately HK\$' million)		2019 (approximately HK\$' million)
C1	Customer F	Building construction	Private	April 2015 - October 2016	1,438.0	749.4	24.1	20.2	—	
C17	China Resources	Building construction	Private	April 2016 - February 2019	1,427.5	167.2	592.9	467.4	39.9	
C20	Customer W	Building construction	Private	November 2016 - March 2019	1,006.0	21.2	206.3	606.0	48.1	
C21	Customer O	Building construction	Private	January 2017 - November 2018	786.3	0.4	268.3	456.6	12.5	
C2	Customer E	Building construction	Public	July 2014 - June 2016	776.0	154.6	4.7	2.1	—	

SUMMARY

Notes:

- (1) The project period covers the duration of our works with reference to the commencement date of the relevant project set out in (i) the architect instruction issued by our customer or their authorised persons; or (ii) term contract signed with our customer, and the completion date of the relevant project set out in (i) the certificate of practical completion and/or related documents issued by our customer or their authorised persons; or (ii) term contract signed with our customer.
- (2) Original contract sum refers to the original awarded contract sum excluding all variation orders issued by our customers, as such final revenue recognised from a contract may differ from the original contract sum.

Ongoing projects

The table below sets out the information of our five largest ongoing projects in terms of contract original sum as at the Latest Practicable Date:

Project Code	Customer	Type of projects	Location	Brief description of the projects	Customer sector	Expected project period (Note 1)	Original contract sum (approximately HK\$' million) (Note 2)	Revenue derived from the project during the year ended 31 December			Revenue derived from the project during the three months ended 31 March 2019
								2016 (approximately HK\$' million)	2017 (approximately HK\$' million)	2018 (approximately HK\$' million)	(approximately HK\$' million)
C33	Customer V	Building Construction	Kwun Tong	Composite development	Private	July 2018 - September 2020	3,155.0	—	—	291.9	344.0
C16	Customer U	Building construction	Tung Chung	Hotel development	Private	August 2017 - March 2020	2,425.0	—	109.4	988.4	255.2
C18	Customer V	Building construction	Kwun Tong	Composite development	Private	July 2017 - March 2020	1,150.7	—	200.4	568.9	145.9
C19	Customer L	Building construction	Mid-Levels	Residential development	Private	November 2016 - October 2019	1,010.8	85.3	552.4	397.0	114.0
C35	Customer FF	Building Construction	The Peak	Residential redevelopment	Private	November 2018 - September 2021	695.9	—	—	10.3	13.8

Notes:

- (1) The expected project period represents the commencement date of the relevant project set out in the architect instruction issued by our customer or their authorised persons, and our best estimation of the completion date of the project. In making of the estimation, our management takes into account factors including the date specified in the relevant contracts, the extension period granted by our customers and the actual work schedule of our subcontractors.
- (2) Original contract sum refers to the original awarded contract sum excluding all variation orders issued by our customers, as such final revenue recognised from a contract may differ from the original contract sum.

Projects in backlog

The following table sets forth the movement of backlog of our building construction works and RMAA works projects by the number of projects during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			For the three months ended 31 March 2019	From 1 April 2019 to the Latest Practicable Date
	2016	2017	2018		
Number of ongoing projects brought forward from prior year/period	9	14	19	19	16
Number of new projects commenced	9	12	8	3	3
Number of projects completed	(4)	(7)	(8)	(6)	(2)
Number of ongoing projects carrying forward to next year/period	14	19	19	16	17

The following table sets forth the movement of backlog of our building construction works and RMAA works projects by the outstanding contract sum during the Track Record Period and up to the Latest Practicable Date^(Note 1):

SUMMARY

	For the year ended 31 December			For the three months ended 31 March 2019	From 1 April 2019 to the Latest Practicable Date
	2016	2017	2018	2019	
	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million
Outstanding contract sum brought forward from prior year/period ^(Note 2)	2,789.1	4,452.8	6,827.9	6,993.9	7,469.6
Original contract sum of new projects commenced during the year/period ^(Note 3)	4,486.0	5,575.9	4,341.4	1,263.3	1,256.0
Revenue recognised from projects during the year/period	(2,577.4)	(3,141.4)	(4,813.9)	(1,115.0)	(2,193.7)
Adjusted variation orders ^(Note 4)	(244.9)	(59.4)	638.5	327.4	55.3
Outstanding contract sum carried forward to next year/period ^(Note 2)	<u>4,452.8</u>	<u>6,827.9</u>	<u>6,993.9</u>	<u>7,469.6</u>	<u>6,587.2</u>

Note 1: Outstanding contract sum in the table above does not include contract sum of projects awarded to us but had not commenced on-site work as at the respective period end. As at 31 December 2016, 2017 and 2018, 31 March 2019 and the Latest Practicable Date, amount of contract sum awarded to us but had not commenced on-site work was approximately HK\$946.9 million, nil, HK\$582.9 million, HK\$632.2 million and HK\$3.2 million, respectively.

Note 2: The outstanding contract sum is inclusive of ongoing and completed projects which our Group has obtained certificate of practical completion with outstanding revenue to be recognised.

Note 3: Refers to the original awarded contract sum excluding all variation orders issued by our customers, as such final revenue recognised from a contract may differ from the original contract sum.

Note 4: Alternatives to the scope of work in the form of an addition, substitution or omission from the original scope of work.

Tender

During the Track Record Period, our projects were generally obtained through tendering process. The table below sets out the statistics of our tenders during the Track Record Period and up to the Latest Practicable Date:

	For the years ended 31 December			For the three months ended 31 March 2019	From 1 January 2019 to the Latest Practicable Date
	2016	2017	2018	2019	
Number of tenders submitted	79	62	65	16 ^(Note 2)	50 ^(Note 3)
Number of successful tenders	7	12	8	3	4
Success rate (%) ^(Note 1)	8.9%	19.4%	12.3%	18.8%	8.0%
Approximate contract sum of tenders submitted (HK\$' million)	62,145.0	49,800.9	35,372.0	6,974.8	29,470.3
Approximate contract sum of successful tenders (HK\$' million)	2,758.4	7,668.0	2,050.7	907.6	1,534.6

Note 1: In the above table, success rate for a financial year is calculated based on the number of contracts awarded (regardless of whether they were awarded in the same financial year or subsequently) in respect of the tenders submitted during that financial year.

Note 2: As at 31 March 2019, nine out of 16 tenders submitted had been unsuccessful with four tender applications still pending result.

Note 3: From 1 January 2019 to the Latest Practicable Date, 20 out of the 50 tenders submitted had been unsuccessful with 26 tender applications still pending result. The aggregate contract sum of the 26 tender applications amount to approximately HK\$20,018.7 million.

SUMMARY

During the Track Record Period, we experienced a fluctuation in the tender success rate. For further information, please refer to the section headed “Business — Our projects — Tender”.

Pricing strategy

We adopt a cost-plus pricing model in order to determine our tender price. Regarding our cost estimation, we take into account factors including but not limited to (i) estimated construction costs; (ii) site condition; (iii) complexity of works; (iv) project schedule; (v) labour and machinery requirements; and (vi) extent of subcontracted works.

Please refer to the sections headed “Business — Tender” and “Business — Pricing strategy” for details of our tendering and pricing strategy.

COMPETITIVE LANDSCAPE

Our Directors are of the view that the market of the Hong Kong building construction works and RMAA works industries is competitive. Among the licenses our Group possess, our Group is an approved contractor of WBDB for public works (buildings) (Group C (confirmed)). As of 1 September 2019, there were only 62 approved Group C contractors qualified to undertake public contracts at any value exceeding HK\$300 million, indicating that large-scale main contractors are relatively concentrated in Hong Kong. In 2018, the top five main contractors for building construction projects in Hong Kong received roughly 32.6% of the total gross output value of building construction works industry that year. In terms of building construction works alone, our Group recorded revenues of approximately HK\$4.7 billion in 2018, with a total market share of approximately 5.2%. Please refer to the section headed “Industry overview — Competitive landscape of Hong Kong’s building construction and RMAA works industries” in this prospectus for further details regarding the competitive landscape of the industries in which our Group operates.

COMPETITIVE STRENGTHS

Our Directors believe our established reputation and position in the construction industry are attributable to our competitive strengths, namely (i) established history and a proven track record in the building construction works and RMAA works industries; (ii) well positioned to secure emerging opportunities in public and private building construction works development; (iii) long-standing and strong relationships with our major business partners; (iv) stringent quality control and high safety standard and environmental impact control; and (v) experienced and committed management team and professional staff members. Details of our Group’s competitive strengths are set out in the section headed “Business — Competitive strengths” in this prospectus.

BUSINESS STRATEGIES

We aim to sustain our business growth, create long-term shareholder’s value and increase our market share in the building construction works and RMAA works industries. We intend to achieve our business strategies by implementing the following strategies: (i) tender for and secure more contracts in both public and private sectors; (ii) further strengthening our manpower; (iii) further enhancing our information technology; and (iv) adhering to prudent financial management to ensure sustainable growth and capital sufficiency. Details of our Group’s business strategies are set out in the section headed “Business — Business strategies and future plans” in this prospectus.

WORK SAFETY

It is our commitment to provide a safe and healthy working environment for our employees and employees of our subcontractors. We have also established an occupational safety and health management system, which is certified to be compliance with OHSAS 18001:2007 by HKQAA, dedicated to the promotion of safe work practices and the prevention of potential adverse impact. During the Track Record Period and up to the Latest Practicable Date, there were a total number of 180 accidents which involved our employees and employees of our subcontractors on our construction sites in the ordinary course of our business. In March 2019, a fatal accident occurred at a construction site under which our Group was engaged to provide building construction works. One construction worker, being an employee of a subcontractor of our Group, sustained fatal injury during the course of work. It was suspected that the worker was hit by a wooden plank falling from height when performing plastering works on the bamboo scaffolding working platform. In June 2019, a fatal accident occurred at a construction site located in Tung Chung under which our Group was engaged

SUMMARY

to provide building construction works. One construction worker, being an employee of a subcontractor of our Group's nominated subcontractor, sustained fatal injury during the course of work. It was suspected that the worker was crushed by a pile of aluminum panels that had toppled over on the worker as he was inspecting them. For further details, please refer to the section headed "Business — Work safety — Fatal accident happened in March 2019" and "Business — Work safety — Fatal accident happened in June 2019" in this prospectus.

LEGAL PROCEEDINGS AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group had been involved in a number of claims, litigations, pending or threatened claims against our Group. The claims against our Group typically relate to employees' compensation claims and personal injury claims. Save as disclosed in this prospectus, our Directors confirm that no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group during the Track Record Period and up to the Latest Practicable Date. For further details, please refer to the section headed "Business — Legal proceedings and claims" in this prospectus.

NON-COMPLIANCES

During the Track Record Period and up to the Latest Practicable Date, we had certain systemic non-compliances in relation to (i) convictions under the safety and health-related laws and regulations; and (ii) failure to report on time the injuries of our or our subcontractors' employees due to industrial accident. Our Directors are of the view that these systemic non-compliances did not have any material adverse impact on the operations of our Group and we have taken remedial internal control measures to prevent recurrence of similar non-compliances. For details, please refer to the section headed "Business — Material non-compliances — Systemic non-compliances" in this prospectus.

CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer, CR Investments will hold approximately 72.2% of the issued share capital of our Company (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). For the purpose of the Listing Rules, each of Zhejiang State-owned Capital, Zhejiang Construction Investment, Zhejiang Construction BVI, Zhejiang Construction HK and CR Investments is our Controlling Shareholder and together form a group of controlling shareholders of the Company.

Apart from our Group's business, our Controlling Shareholders and their close associates are currently operating other businesses primarily outside Hong Kong. Save as disclosed in the section headed "Relationship with our Controlling Shareholders — Business delineation and excluded business" in this prospectus, our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business which would require disclosure pursuant to Rule 8.10 of the Listing Rules. For details, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

FINANCIAL INFORMATION

Selected data in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of financial position is set forth below:

SUMMARY

	For the year ended 31 December			For the three months ended 31 March	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(unaudited)</i>				
Revenue	2,577,398	3,141,390	4,813,860	1,102,972	1,115,023
Contract costs	(2,456,929)	(2,975,430)	(4,628,400)	(1,050,959)	(1,061,716)
Gross profit	120,469	165,960	185,460	52,013	53,307
Profit for the year/period	45,869	58,893	63,431	22,300	17,116
Operating cash flows before changes in working capital	69,690	90,558	104,100	33,094	30,981
Net cash flows from/(used in) operating activities	(59,270)	517,881	(358,097)	(155,800)	(22,537)
Net cash flows used in investing activities	(1,431)	(11,802)	(923)	(566)	(54,919)
Net cash flows from/(used in) financing activities	(10,302)	(163,157)	70,344	95,886	83,917
Net increase/(decrease) in cash and cash equivalents	<u>(71,003)</u>	<u>342,922</u>	<u>(288,676)</u>	<u>(60,480)</u>	<u>6,461</u>

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total current assets	1,458,145	1,746,754	1,980,015	2,017,880
Total current liabilities	<u>1,077,641</u>	<u>1,480,553</u>	<u>1,677,083</u>	<u>1,693,695</u>
Net current assets	<u>380,504</u>	<u>266,201</u>	<u>302,932</u>	<u>324,185</u>

The following table sets forth the breakdown of our gross profit and gross profit margin by types of services provided during the Track Record Period:

	For the year ended 31 December				For the three months ended 31 March			
	2016	2017	2018		2018	2019		
	Gross profit margin	Gross profit margin	Gross profit margin		Gross profit margin	Gross profit margin		
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Building construction works	100,677	4.5	153,357	5.3	180,491	3.9	52,021	4.9
RMAA works	<u>19,792</u>	<u>5.4</u>	<u>12,603</u>	<u>4.8</u>	<u>4,969</u>	<u>3.4</u>	<u>(8)</u>	<u>(0.02)</u>
Overall	<u>120,469</u>	<u>4.7</u>	<u>165,960</u>	<u>5.3</u>	<u>185,460</u>	<u>3.9</u>	<u>52,013</u>	<u>4.7</u>

The following table sets forth the breakdown of the gross profit and gross profit margin by customer sectors during the Track Record Period:

SUMMARY

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(unaudited)</i>									
Private sector	84,864	4.7	107,096	4.0	157,654	3.6	44,576	4.6	51,411	4.9
Public sector	35,605	4.7	58,864	12.5	27,806	6.2	7,437	5.4	1,896	2.7
Overall	120,469	4.7	165,960	5.3	185,460	3.9	52,013	4.7	53,307	4.8

For the three years ended 31 December 2018 and the three months ended 31 March 2018 and 2019, our gross profit were approximately HK\$120.5 million, HK\$166.0 million, HK\$185.5 million, HK\$52.0 million, HK\$53.3 million, respectively, while our gross profit margin was approximately 4.7%, 5.3%, 3.9%, 4.7% and 4.8%, respectively. Our gross profit margin fluctuated for the three years ended 31 December 2018, which was primarily due to Project C2 and Project C19. Project C2 was practically completed in 2016 with the defects liability period ended in 2017. As a result, the expected outcome was more certain and final accounts for subcontracting fees could be estimated by our quantity surveyors with higher certainty. Hence, adjustments on the over accrued costs provided in prior periods were made in 2017. Besides, for the Project C19, the subcontracting fees paid to the subcontractors carried out stone, suspended ceiling and painting works during the year ended 31 December 2017 were lower than expected and therefore higher profit margin was recorded. For the year ended 31 December 2018, we recorded relatively lower gross profit margin of approximately 3.9%. It was mainly attributable to (i) the Group adopted a competitive pricing strategy by offering a more competitive price for certain tenders during the Track Record Period, and the construction works of certain awarded contracts in 2017 and 2018 were carried out during 2018 with a relatively thin gross profit margin; and (ii) two projects were recorded loss of approximately HK\$7.4 million and HK\$10.7 million for the year ended 31 December 2018 due to the cost overrun. For details of the competitive pricing strategy and cost overrun projects, please refer to the section headed “Business — Pricing strategy” in this prospectus. For each of the three months ended 31 March 2018 and 2019, our gross profit margin remained relatively stable at approximately 4.7% and 4.8%, respectively. For details of the gross profit, please refer to the section headed “Financial information — Principal components of consolidated statements of profit or loss — Gross profit and gross profit margin”.

We recorded the net cash used in operating activities of approximately HK\$59.3 million, HK\$358.1 million and HK\$22.5 million for the year ended 31 December 2016, 2018 and for the three months ended 31 March 2019, respectively.

The net cash used in operating activities for the year ended 31 December 2016 was mainly due to the increase in the amount due from Zhejiang Construction HK of approximately HK\$209.6 million for the year ended 31 December 2016, which represented the expenses paid by us on behalf of Zhejiang Construction HK and the funds transferred for its business operation.

The net cash used in operating activities of approximately HK\$358.1 million and HK\$22.5 million for the year ended 31 December 2018 and the three months ended 31 March 2019, respectively, was due to the difference in amount and timing between the receipt of payments from our customers and the payments we made to our subcontractors and suppliers. For details, please refer to the section headed “Financial information — Liquidity and capital resources — Cash flows” in this prospectus.

Our Group has established the following policies with a view to improving our cash flow position in the future:

- (i) A clearly documented plan describing the expected cash inflow from customers and cash outflow to subcontractors and suppliers for each project should be prepared by the quantity surveyors and purchase staff, and submitted to the management for review on a regular basis;

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- (ii) The cashflow plans should then be considered and closely monitored by the finance department its actual implementation; and
- (iii) From time to time, the company will take the following measures, including but not limited to, (a) following up with our customers on-time for payment of invoices; (b) full utilisation of the credit terms of all subcontractors' and/or suppliers' invoices; and (c) utilisation of banking facilities to cover any deterioration in our cash flow position.

As at 31 December 2017, our Group had net current assets of approximately HK\$266.2 million, representing a decrease of approximately HK\$114.3 million as compared to the net current assets as at 31 December 2016, which was mainly due to the interim dividend of approximately HK\$150.0 million paid by CR Construction to Zhejiang Construction HK partially offset by our profit for the year ended 31 December 2017 of approximately HK\$58.9 million.

Please refer to the section headed “Financial Information” in this prospectus for a detailed discussion and analysis of our financial information.

Key financial ratios

The following table sets forth our key financial ratios for the years and as of the dates indicated:

	As at 31 December			As at
	2016	2017	2018	31 March 2019
Current ratio	1.4	1.2	1.2	1.2
Quick ratio	1.4	1.2	1.2	1.2
Gearing ratio	—	—	0.3	0.6
	For the year ended			For the three
	2016	2017	2018	months ended
		31 December		31 March
	2016	2017	2018	2019
Return on total assets	3.2%	3.6%	3.3%	0.8%
Return on equity	12.1%	16.6%	19.4%	4.9%
Net profit margin	1.8%	1.9%	1.3%	1.5%
Interest coverage ratio	189.0	63.2	25.5	9.9

For further details, please refer to the section headed “Financial information — Key financial ratios” in this prospectus.

RECENT DEVELOPMENT

Our business model and cost structure remained largely unchanged after the Track Record Period. After the Track Record Period, we continued to actively seek for opportunities in the building construction works and RMAA works industries. After the Track Record Period and up to the Latest Practicable Date, we (i) had commenced on-site works for two building construction works projects and one RMAA works project with the aggregate original contract sum of approximately HK\$1,032.0 million and HK\$224.0 million, respectively; (ii) had completed two building construction works projects with aggregate original contract sum of approximately HK\$254.5 million; and (iii) had also submitted 34 tenders of an aggregate contract sum of approximately HK\$22,495.5 million.

We recorded outstanding contract sum of approximately HK\$6,587.2 million as at the Latest Practicable Date, of which approximately HK\$2,131.2 million and HK\$4,456.0 million of the relevant revenue will be recognised in 2019 and after 31 December 2019, respectively.

As at 31 July 2019, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this prospectus, we had aggregate banking facilities of approximately HK\$2,872.3 million. As at 31 July 2019, out of the aforesaid banking facilities available to us, we had utilised approximately HK\$793.9 million for performance bonds and HK\$360.0 million for loans, leaving approximately HK\$1,718.4 million of our banking facilities unutilised.

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Despite the expected increase in finance costs as a result of increase in bank borrowings from approximately HK\$120.0 million as at 31 December 2018 to approximately HK\$360.0 million as at 31 July 2019, our net profit is likely going to record a slight increase for the year ending 31 December 2019 compared with the year ended 31 December 2018 after excluding the Listing expenses as disclosed in the section headed “Financial information — Listing expenses” of this prospectus. For details, please refer to the section headed “Financial information — Indebtedness and contingent liabilities — Bank borrowings” of this prospectus.

Save for the disclosure in the paragraph headed “Listing expenses” in this section, our Directors confirm that there had been no material adverse change in the operation, financial or trading position, or our prospects since 31 March 2019 (being the date to which our latest audited consolidated financial statements were prepared) and up to the date of this prospectus, and there is no event since 31 March 2019 and up to the date of this prospectus that would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

The Government has consulted the public on the proposed introduction of the SOPL to address unfair payment terms, payment delays and disputes. For further details of the SOPL, please refer to the section headed “Regulatory overview — E. Security of payment legislation for the construction industry (the “SOPL”)”. When the SOPL comes into force, it will apply to some of the projects undertaken by us as well as the related subcontracts in the contractual chain. The rationale behind the new legislation is to improve payment practice and enable rapid dispute resolution in the construction industry. Since there are still uncertainties on the final legislative framework to be submitted to the Legislative Council for consideration and approval, we cannot assess accurately whether the legislation and application of the SOPL will have positive impact or additional burden on our business and financial condition. Nevertheless, our Directors will ensure that terms of our contracts will comply with the legislation in this regard.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$43.6 million (based on the mid-point of the indicative price range for the Share Offer). Of such amount, (i) approximately HK\$9.3 million, HK\$5.5 million and HK\$1.5 million have been charged to the consolidated statements of profit or loss of our Group for the years ended 31 December 2017 and 2018 and the three months ended 31 March 2019, respectively; (ii) approximately HK\$13.2 million is expected to be charged to our consolidated statements of profit or loss for the nine months ending 31 December 2019; and (iii) the remaining approximately HK\$14.1 million is expected to be accounted for as a deduction from equity upon Listing. Our Directors expect that our Group’s financial results for the year ending 31 December 2019 will be negatively affected by the listing expenses. Expenses in relation to the Listing are non-recurring in nature.

USE OF PROCEEDS

We estimate that the net proceeds of the Share Offer which we will receive, assuming an Offer Price of HK\$1.2 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus, will be approximately HK\$123.0 million, after deduction of the underwriting fees and commissions and other estimated expenses in connection with the Share Offer. We currently intend to use such net proceeds of the Share Offer as follows:

- approximately HK\$107.4 million, representing approximately 87.3% of the net proceeds will be used for financing the upfront costs for our potential new building construction works and RMAA works projects;
- approximately HK\$9.8 million, representing approximately 8.0% of the net proceeds will be used in strengthening our manpower by recruiting additional project management, building service management and technical management staff as well as providing training courses for our staff to enhance our business management; and
- approximately HK\$5.8 million, representing approximately 4.7% of the net proceeds will be used in enhancing our information technology by acquiring and maintaining an enterprise resource planning system and expanding and upgrading our existing computer hardwares and softwares, to improve efficiency and consistency in our services provided.

For further details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

SUMMARY

DIVIDEND

In August 2017, an interim dividend of approximately HK\$150.0 million was declared by CR Construction and paid to Zhejiang Construction HK, being the immediate holding company of CR Construction prior to the Reorganisation. In August 2018, an interim dividend of approximately HK\$30.4 million was declared by our Company and paid to CR Investments in September 2018. Save as the above, no other dividend or distribution has been declared, made or paid by any members of our Group during the Track Record Period and up to the Latest Practicable Date. Our Group currently does not have a dividend policy nor any fixed dividend pay-out ratio and may distribute dividends by way of cash or by other means that our Directors consider appropriate.

SHARE OFFER STATISTICS

	Based on the Offer Price of HK\$1.00 per Offer Share	Based on the Offer Price of HK\$1.40 per Offer Share
Market capitalisation of the Share ^(Note 1)	HK\$500 million	HK\$700 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ^(Note 2)	HK\$0.944	HK\$1.055

Notes:

- (1) The calculation of the market capitalisation of our Shares is based on 500,000,000 Shares in issue immediately after completion of the Share Offer but does not take into account which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 500,000,000 Shares expected to be in issue immediately following the completion of the Share Offer without taking into account of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

RISK FACTORS

There are certain risks involved in our business operations and in connection with the Share Offer while some of which are beyond our control. Any of the factors set forth under the section headed “Risks factors” in this prospectus may limit our ability to execute our business strategy successfully. Some of the risks which are considered to be material by our Directors include: (i) our business operates under various registrations, licenses and certifications and the loss of or failure to obtain or renew any or all of these registrations, licenses and/or certifications could materially and adversely affect our business; (ii) our revenue is mainly derived from projects which are not recurrent in nature and we are subject to the risks associated with competitive tendering process; (iii) our past revenue and gross profit derived from building construction works and RMAA works projects may not be indicative of our future revenue and gross profit; (iv) we determine the tender price based on the estimated construction time and costs which may deviate from the actual implementation of a project due to cost overruns and/or other related construction risks; and (v) failure to maintain safe construction sites and/or implement our safety management system may lead to the occurrence of personal injuries, property damages, fatal accidents or suspension of relevant licenses to operate.

RULE 10.03 WAIVER AND CONSENT IN RESPECT OF EMPLOYEE PREFERENTIAL OFFERING

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waiver from strict compliance with Rule 10.03 and a consent under paragraph 5 of Appendix 6 of the Listing Rules in relation to the participation by the Eligible Directors in the Employee Preferential Offering. For details, please refer to the section headed “Waiver from strict compliance with the Listing Rules” in this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“Application Form(s)”	the WHITE Application Form(s), YELLOW Application Form(s), GREEN Application Form(s) and PINK Application Form(s), or where the context so requires, any of them, relating to the Share Offer
“Architectural Services Department”	the Architectural Services Department of the Government
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 17 September 2019 with effect from the Listing Date and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of our Company
“Building Authority”	has the meaning ascribed to it under the Buildings Ordinance and, as at the Latest Practicable Date, means the Director of Buildings of the Government
“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“business day”	any day (other than a Saturday, and Sunday or public holidays in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 359,454,000 Shares to be made upon capitalisation of part of the amount standing to the credit of our share premium account as referred to in the section headed “A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 17 September 2019” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

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“CCASS Clearing Participant”	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person permitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China Cinda”	China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), a company established in the PRC with limited liability on 19 April 1999 the shares of which are listed on the Stock Exchange (stock code: 1359 and 4607 (preference shares))
“China State”	China State Construction Engineering (Hong Kong) Limited (中國建築工程(香港)有限公司), a company incorporated in Hong Kong with limited liability on 19 February 1999
“CIC”	China Insights Consultancy Limited, an independent industry consultant, which is an independent third party
“CIC Report”	a market research report commissioned by us and prepared by CIC on the overview of the industry in which our Group operates
“Companies Law”	the Companies Law Cap 22. (Law 3 of 1961) of the Cayman Islands, as amended, modified and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company”	CR Construction Group Holdings Limited (華營建築集團控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 20 July 2017
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, means, a group of controlling shareholders of the Company comprising Zhejiang State-owned Capital, Zhejiang Construction Investment, Zhejiang Construction BVI, Zhejiang Construction HK and CR Investments
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“CR Construction”	CR Construction Company Limited (華營建築有限公司) (formerly known as T.S. Wong & Company, Limited (天順有限公司) and China Resources Construction Company Limited (華潤營造有限公司)), a company incorporated in Hong Kong with limited liability on 13 June 1967, and an indirect wholly-owned subsidiary of our Company
“CR Construction Macau”	CR Construction (Building) Company Limited (華營建築(樓宇)有限公司), a company incorporated in Macau with limited liability on 8 February 2006, an indirect wholly-owned subsidiary of our Company
“CR Development”	CR Construction Development Limited (華營建築發展有限公司), a company incorporated in BVI with limited liability on 26 May 2017 and a direct wholly-owned subsidiary of our Company
“CR-DDL JV”	CR Construction Company Limited and Deson Development Limited Consortium (華營建築有限公司 — 迪臣發展有限公司聯營), an unincorporated joint venture established on 19 November 2018 by CR Construction and Deson Company, details of which are set out in the paragraph headed “History, Reorganisation and Group structure — Our subsidiaries and joint ventures — CR-DDL JV” in this prospectus
“CR Investments”	CR Construction Investments Limited (華營建築投資有限公司), a company incorporated in BVI with limited liability on 26 May 2017, being one of our Controlling Shareholders and a direct wholly-owned subsidiary of Zhejiang Construction HK

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“CR-SFK JV”	the Joint Venture of CR Construction Company Limited and Sun Fook Kong Construction Limited (華營-新福港聯營), an unincorporated joint venture formed on 16 July 2019 by CR Construction and Sun Fook Kong Construction, details of which are set out in the section headed “History, Reorganisation and Group structure — Our subsidiaries and joint ventures — CR-SFK JV” in this prospectus
“CR-WWW JV”	CR Construction-Win Win Way Joint Venture (華營建築 - 恆誠聯營), an unincorporated joint venture formed on 31 October 2012 by CR Construction and Win Win Way, details of which are set out in the section headed “History, Reorganisation and Group structure — Our subsidiaries and joint ventures — CR-WWW JV” in this prospectus
“CS-CR JV”	China State-CR Construction Joint Venture (中國建築 - 華營建築聯營公司), an unincorporated joint venture formed on 18 December 2003, the interests of which are attributable to CR Construction and China State as to 50% and 50%, respectively, and details of which are set out in the section headed “History, Reorganisation, and Group structure — Our subsidiaries and joint ventures — CS-CR JV” in this prospectus
“CVP Securities Limited”	a licensed corporation to carry out types 1 and 2 regulated activities (dealing in securities and dealing in futures contracts) under the SFO
“Deed of Indemnity”	the deed of indemnity dated 17 September 2019 given by our Controlling Shareholders in favour of our Company regarding certain indemnities, details of which are set out in the section headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 17 September 2019 given by our Controlling Shareholders in favour of our Company regarding certain non-competition undertakings, details of which are set out in the section headed “Relationship with our Controlling Shareholders — Deed of Non-Competition” in this prospectus
“Deson Company”	Deson Development Limited (迪臣發展有限公司), a company incorporated in Hong Kong with limited liability on 1 March 1988

DEFINITIONS

“Deson Development”	Deson Development International Holdings Investment Limited (迪臣發展國際集團投資有限公司), a company incorporated in Hong Kong with limited liability on 2 September 2006
“Deson Holdings”	Deson Development International Holdings Limited (迪臣發展國際集團有限公司), an exempted company incorporated in Bermuda with limited liability on 20 September 1993, the shares of which are listed on the Stock Exchange (stock code: 262)
“Director(s)”	the director(s) of our Company
“EC Legal Advisers”	Ng, Au Yeung & Partners, the Hong Kong legal advisers of our Company as to Employee’s Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)
“Education Bureau”	the Education Bureau of the Government
“Eligible Director(s)”	a Director or any director of our subsidiaries who is an Eligible Employee
“Eligible Employee(s)”	a full-time employee of our Company or any of our subsidiaries who is neither an existing beneficial owner of the Shares or the shares of any of our subsidiaries nor a close associate of the foregoing who satisfies the following criteria: (a) is at least 18 years of age; (b) has a Hong Kong address; (c) remains as a full-time employee of our Company or any of our subsidiaries and is not on probation as at the Latest Practicable Date; and (d) has not tendered his/her resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before the Latest Practicable Date
“Employee Preferential Offering”	the preferential offering of the Employee Reserved Shares to the Eligible Employees for subscription at the Offer Price on a preferential basis, details of which are set out in the section headed “Structure and conditions of the Share Offer — The Employee Preferential Offering” in this prospectus
“Employee Reserved Shares”	the 13,850,000 Placing Shares being offered to the Eligible Employees pursuant to the Employee Preferential Offering
“First Capital Securities Limited”	a licensed corporation to carry out types 1 and 4 regulated activities (dealing in securities and advising on securities) under the SFO

DEFINITIONS

“First Shanghai Securities Limited”	a licensed corporation to carry out types 1, 4 and 6 regulated activities (dealing in securities, advising on securities and advising on corporate finance) under the SFO
“ GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider
“Group”, “we”, “us” or “our”	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries and the businesses operated by such subsidiaries (as the case may be)
“Government”	the government of Hong Kong
“Guotai Junan Securities (Hong Kong) Limited”	a licensed corporation to carry out types 1 and 4 regulated activities (dealing in securities and advising on securities) under the SFO
“Haitong International Securities Company Limited”	a licensed corporation to carry out types 1, 3 and 4 regulated activities (dealing in securities, leveraged foreign exchange trading and advising on securities) under the SFO
“HKD” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“ HK eIPO White Form ”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting an application online at the designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HK eIPO White Form Service Provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Housing Authority”	The Hong Kong Housing Authority of the Government
“Housing Society”	The Hong Kong Housing Society

DEFINITIONS

“Hung Wan Construction”	Hung Wan Construction Company Limited (鴻運建築有限公司), a company incorporated in Hong Kong with limited liability on 31 August 1977
“ICBC”	Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司), a company established in the PRC with limited liability on 1 January 1984 the shares of which are listed on the Stock Exchange (stock code: 1398, 4603 (USD preference shares), 4604 (EUR preference shares) and 84602 (RMB preference shares))
“ICBC Financial”	ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司), a company established in the PRC with limited liability on 26 September 2017
“independent third party(ies)”	an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive, Substantial Shareholders of our Company or any of its subsidiaries, or any of their respective associates
“Joint Bookrunners”	First Shanghai Securities Limited, Zhongtai International Securities Limited, First Capital Securities Limited, Guotai Junan Securities (Hong Kong) Limited and Haitong International Securities Company Limited
“Joint Lead Managers”	First Shanghai Securities Limited, Zhongtai International Securities Limited, First Capital Securities Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Livermore Holdings Limited, CVP Securities Limited and Zinvest Global Limited
“Latest Practicable Date”	17 September 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong and an independent third party
“Listing”	listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 16 October 2019, on which dealings in the Shares first commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange, as amended, modified and supplemented from time to time

DEFINITIONS

“Livermore Holdings Limited”	a licensed corporation to carry out type 1 regulated activities (dealing in securities) under the SFO
“Macau” or “Macau SAR”	the Macau Special Administrative Region of the People’s Republic of China
“Main Board”	the Main Board of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company adopted on 17 September 2019 with immediate effect and as amended from time to time a summary of which is set out in Appendix III to this prospectus
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOP”	Macau dollars, the lawful currency of Macau
“Mount Land”	Mount Land Limited (陸山有限公司), a company with limited liability incorporated in Hong Kong on 3 February 1987, an indirect wholly-owned subsidiary of our Company
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for or issued pursuant to the Share Offer, to be determined in the manner further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Offer Share(s)”	the Public Offer Shares and the Placing Shares
“PINK Application Form(s)”	the application form(s) to be completed by Eligible Employees to subscribe for Employee Reserved Shares pursuant to the Employee Preferential Offering in accordance with the instructions in the section headed “How to apply for Public Offer Shares and Employee Reserved Shares” in this prospectus
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price to selected professional, institutional and private investors as set out in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 124,965,000 Shares being initially offered by our Company for subscription pursuant to the Placing, subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus

DEFINITIONS

“Placing Underwriter(s)”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing
“Placing Underwriting Agreement”	the conditional underwriting and placing agreement relating to the Placing expected to be entered into on or about 3 October 2019 by, among others, our Company and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“PRC”	The People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excluding Hong Kong, Macau and Taiwan region
“PRC Legal Advisers”	GFE Law Office, the legal advisers to our company as to PRC law
“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the price determination agreement to be entered into between our Company, the Sole Sponsor and the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters), on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, on which the final Offer Price is determined for the purposes of the Share Offer
“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 13,885,000 Shares initially being offered for subscription under the Public Offer, subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer whose names are set out in the section headed “Underwriting — Public Offer Underwriters” in this prospectus

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“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 26 September 2019 relating to the Public Offer entered into between, among others, our Company and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Registered Specialist Contractor”	a person whose name is on the register of specialist contractors maintained under section 8A of the Buildings Ordinance from time to time
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed “History, Reorganisation and Group structure — Reorganisation” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 17 September 2019, the principal terms of which are summarised in the section headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Sole Sponsor”	First Shanghai Capital Limited, the sole sponsor for the Listing and a licensed corporation to carry out type 6 regulated activity (advising on corporate finance) under the SFO
“SOPL”	Security of Payment Legislation for the Construction Industry
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun Fook Kong Construction”	Sun Fook Kong Construction Limited (新福港營造有限公司), a company incorporated in Hong Kong with limited liability on 7 April 1961
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Substantial Shareholder”	has the meaning ascribed thereto in the Listing Rules and details of our Substantial Shareholders are set out in the section headed “Substantial Shareholders” in this prospectus
“Takeovers Code”	The Codes on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019
“U.K.”	the United Kingdom
“Underwriters”	the underwriters of the Public Offer Underwriters and the Placing Underwriters, details to which are set out in the section headed “Underwriting” in this prospectus
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“U.S.”	the United States of America
“WBDB”	Works Branch of the Development Bureau of the Government (發展局工務科)
“ WHITE Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the section headed “How to apply for Public Offer Shares and Employee Reserved Shares” in this prospectus
“Win Win Way”	Win Win Way Construction Company Limited (恒誠建築工程有限公司), a company incorporated in Hong Kong with limited liability on 7 May 1999
“ YELLOW Application Form(s)”	the application form(s) to be completed in accordance with the instructions in section headed “How to apply for Public Offer Shares and Employee Reserved Shares” in this prospectus
“Zhejiang Construction BVI”	Zhejiang Construction Group (H.K.) Holdings Limited (浙江省建設集團(香港)控股有限公司), a company incorporated in the BVI with limited liability on 1 April 2019, being one of our Controlling Shareholders and a direct wholly-owned subsidiary of Zhejiang Construction Investment

DEFINITIONS

“Zhejiang Construction HK”	China Zhejiang Construction Group (H.K.) Limited (中國浙江建設集團(香港)有限公司), a company incorporated in Hong Kong with limited liability on 1 September 1999, being one of our Controlling Shareholders and a direct wholly-owned subsidiary of Zhejiang Construction BVI
“Zhejiang Construction Investment”	Zhejiang Construction Investment Group Co., Ltd. (浙江省建設投資集團股份有限公司), a company established in the PRC with limited liability on 14 April 1998, being one of our Controlling Shareholders and is owned as to 45.95% by Zhejiang State-owned Capital
“Zhejiang Financial Development”	Zhejiang Province Financial Development Limited (浙江省財務開發公司), a company established in the PRC on 30 June 1992 and wholly-owned by Zhejiang Provincial Department of Finance (浙江省財政廳) of the PRC
“Zhejiang Jianyang Investment”	Zhejiang Jianyang Investment Company Limited (浙江建陽投資股份有限公司), a company established in the PRC with limited liability on 2 July 2009
“Zhejiang Provincial Government”	the People’s Government of Zhejiang Province (浙江省人民政府) of the PRC
“Zhejiang State-owned Capital”	Zhejiang State-owned Capital Operation Company Limited (浙江省國有資本運營有限公司), a wholly state-owned enterprise established in the PRC with limited liability on 15 February 2007, being one of our Controlling Shareholders and wholly-owned by the ZJSASAC
“Zhongtai International Securities Limited”	a licensed corporation to carry out types 1 and 4 regulated activities (dealing in securities and advising on securities) under the SFO
“Zinvest Global Limited”	a licensed corporation to carry out types 1, 2, 4 and 5 regulated activities (dealing in securities, dealing in futures contracts, advising on securities and advising on futures contracts) under the SFO
“ZJSASAC”	State-owned Assets Supervision and Administration Commission of the Zhejiang Provincial Government (浙江省人民政府國有資產監督管理委員會)
“sq.m.”	square metre
“sq.ft.”	square foot
“%”	per cent

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

“ACIL”	Accredited Certification International Limited
“building construction”	construction works that has the provision of shelter for its occupants or contents as one of its main purposes, usually partially or totally enclosed and designed to stand permanently in one place
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“Gazette”	the gazette published by the Government
“GDP”	gross domestic product
“HKQAA”	Hong Kong Quality Assurance Agency
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	a framework and systematic approach to managing business processes to produce a product/service that conforms to customer expectations. ISO 9001:2008 is a version of ISO 9001
“ISO 14001”	a standard published by ISO for an environmental management system. ISO 14001:2004 is a version of ISO 14001
“ISO 50001”	the requirements for an energy management system to enhance their overall energy performance, including energy efficiency, use and consumption. ISO50001:2011 is a version of ISO50001
“main contractor”	a contractor who enters the contract directly with the employer of the project and assumes full responsibility for the satisfactory completion of the construction works. A main contractor operating at construction sites must be registered under the Buildings Ordinance for the capability and responsibility of undertaking new construction works, and in case of Government works, approved by the WBDB
“NGO”	Non-governmental organisation

GLOSSARY OF TECHNICAL TERMS

“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business
“Open Tender”	tender which all interested contractors/suppliers/service providers are free to submit their tenders
“Quality Building Award Organising Committee”	Quality Building Award Organising Committee includes members of nine professional organisations in Hong Kong including The Hong Kong Construction Association, The Hong Kong Institute of Architects, The Hong Kong Institute of Construction Managers, The Hong Kong Institution of Engineers, The Hong Kong Institute of Housing, The Hong Kong Institute of Surveyors, The Hong Kong Chapter of International Facility Management Association, The Hong Kong Quality Assurance Agency and The Real Estate Developers Association of Hong Kong
“private sector projects”	works contracts that are not public sector projects
“public sector projects”	works contracts of which the project employer is a department of the Government, a statutory body, an educational institution, an NGO or a company subsidised by Government funding
“Restricted Tender”	tender invitations are sent to a limited number of selected contractors who are on the customer’s list of approved contractors
“RMAA”	repair, maintenance, alteration and addition works
“subcontractor”	a contractor who is appointed by the main contractor or another subcontractor and generally responsible for specific delegated works in a project
“variation order”	an order placed by customer during the course of project execution concerning variation to part of the works that is necessary for the completion of the project, which may include (i) additions, omissions, substitutions, alterations, and/or changes in the quality, form, character, kind, position, dimension or other aspect of the works; (ii) changes to any sequence, method or timing of construction specified in the main contract; and (iii) changes to the site or entrance to and exit from the site

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as “aim”, “anticipate”, “believe”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group’s business and operating strategies and plans of operation;
- the amount and nature of, and potential for, future development of our Group’s business;
- our Company’s dividend distribution plans;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operate;
- future developments in the industry in which our Group operate; and
- the trend of the economy of Hong Kong, the United States, the PRC and the world in general.

These statements are based on several assumptions, including those regarding our Group’s present and future business strategy and the environment in which our Group will operate in the future.

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in the sections headed “Risk factors” and “Financial information” of this prospectus.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions to prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

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

RISK FACTORS

Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the Offer Shares. If any of the possible events as described below, or any other risk factors or uncertainties that our Company is unaware of, materialises, our Group's business, financial position and prospects could be materially and adversely affected and the trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our business operates under various registrations, licenses and certifications and the loss of or failure to obtain or renew any or all of these registrations, licenses and/or certifications could materially and adversely affect our business

Our business is subject to various government regulations. In accordance with the laws of Hong Kong, our Group is required to obtain or maintain certain registrations, licenses and/or certifications to operate our business.

In Hong Kong, a contractor must register with the Buildings Department either as a general building contractor or as a specialist contractor. In order to tender for Government contracts, a contractor must also be registered on the list of approved contractors maintained by WBDB. Although approvals granted by WBDB are not required to be renewed annually, government authorities in Hong Kong may, in certain circumstances, remove a contractor from their lists or take other disciplinary actions against a contractor, such as suspension from further tendering within a certain period of time, downgrading to probationary status, or demotion to a lower group in respect of all or any category of works, if the performance including safety performance or tendering record of the contractor is found to be unsatisfactory.

All registrations, licenses and/or certificates are granted/renewed and maintained upon our satisfactory compliance with, among others, the applicable criteria set by the relevant government departments or organisations. Such criteria may include the maintenance of certain financial criteria including our working capital level. These registrations, licenses and/or certificates may only be valid for a limited period of time and may be subject to periodic reviews and renewal by government authorities and relevant organisations. In addition, the standards of compliance required in relation thereto may from time to time be subject to changes without substantial advance notice.

We cannot provide any assurance that all these required registrations, licenses and/or certificates can be maintained or obtained/renewed in a timely manner or at all. Any changes in the existing policies by the government authorities in relation to the building construction works and/or RMAA works industry may result in our failure to obtain or maintain such relevant registrations, licenses and/or certificates. In such circumstances, we may be required to suspend our operations, which would have a material adverse effect on our business and results of operations.

RISK FACTORS

Our revenue is mainly derived from projects which are not recurrent in nature and we are subject to the risks associated with competitive tendering process

Our business mainly operates on a non-recurring and project-by-project basis. As such, our major customers may vary from year to year. Furthermore, our projects were generally awarded through tendering. We were awarded seven, 12, eight and three contracts to which we submitted tenders in each of the three years ended 31 December 2018 and the three months ended 31 March 2019, respectively. Our success rate in tendering contracts was approximately 8.9%, 19.4%, 12.3% and 18.8% for each of the three years ended 31 December 2018 and the three months ended 31 March 2019, respectively, details of which are set out in the section headed “Business — Our projects — Tender” in this prospectus.

Our Directors believe that there has been considerable competition in tendering for construction works in the market. Our ability to secure contracts out of our tenders is critical to our success. There is no guarantee that we will be able to achieve our past or any higher success rates in tendering contracts after the Listing or that we will be able to secure new contracts from our existing or new customers. In the event that we are unable to succeed in our competitive tenders or maintain business relationships with our existing customers, our revenue and results of operations will be adversely affected.

Our past revenue and gross profit derived from building construction works and RMAA works projects may not be indicative of our future revenue and gross profit

For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, our revenue amounted to approximately HK\$2,577.4 million, HK\$3,141.4 million, HK\$4,813.9 million and HK\$1,115.0 million respectively, while our gross profit amounted to approximately HK\$120.5 million, HK\$166.0 million, HK\$185.5 million and HK\$53.3 million respectively.

However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication and may not necessarily reflect our financial performance in the future. Our future performance will depend on, among other things, our ability to secure new contracts and to control our costs and will be subject to risk factors set out in this section. There is no assurance that our revenue and gross profit will maintain an increasing trend in the future or remain at a level comparable to those recorded during the Track Record Period.

We determine the tender price based on the estimated construction time and costs which may deviate from the actual implementation of a project due to cost overruns and/or other related construction risks

Construction contracts are usually awarded through competitive tendering process in Hong Kong. We have to estimate the construction time and costs in order to determine the tender price. During the Track Record Period, our revenue was generally derived from fixed-price contracts. During the actual implementation of the project, which usually takes months or years to complete, we cannot guarantee that the actual construction time and costs would not exceed our estimation.

RISK FACTORS

The time taken and the cost may be adversely affected by many factors, including shortage and cost escalation of materials and labour over the term of a contract, adverse weather conditions, additional variations (such as changes to the construction plans requested by our customers or requirements of technical construction), disputes with subcontractors, accidents and unforeseen problems and circumstances. Any of these can give rise to delays in completion of construction works, cost overruns or even unilateral termination of projects by our customers.

During the Track Record Period, we recorded loss in a project of approximately HK\$9.9 million, less than HK\$0.1 million, HK\$7.4 million and HK\$0.8 million for each of the three years ended 31 December 2018 and the three months ended 31 March 2019 and loss in another project of approximately HK\$4.8 million, less than HK\$0.1 million, HK\$10.7 million and HK\$0.2 million for each of the three years ended 31 December 2018 and the three months ended 31 March 2019, respectively, both of which are partially due to cost overrun. For further details of the project, please refer to the section headed “Business — Pricing strategy” in this prospectus.

As a whole, if our estimates of the overall risks, revenue or costs prove inaccurate, or circumstances change, we may experience lower profitability or even make losses on our contracts, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to maintain safe construction sites and/or implement our safety management system may lead to the occurrence of personal injuries, property damages, fatal accidents or suspension of relevant licenses to operate

We undertake the building construction works and RMAA works industries which is always subject to many safety regulations, codes and guidelines enacted or issued from the Government. Owing to the nature of works, the building construction works and RMAA works industry generally records relatively higher accident rate than other industries. As a main contractor, we are deemed to be an occupier of our construction sites which we have obligations to maintain a safe and healthy working environment to all lawful visitors, including any labour, staff and general public.

With an emphasis on providing a safe and healthy working environment for our employees and employees of our subcontractors, we have implemented various safety and health measures across different levels of our operations. Despite that, during the Track Record Period and up to the Latest Practicable Date, there were a total number of 180 accidents which involved our employees and employees of our subcontractors on our construction sites in the ordinary course of our business. For details of these accidents, please refer to the sections headed “Business — Work safety” in this prospectus.

In the event of serious or fatal accidents, they may lead to negative publicity and/or suspension of our relevant licenses, which will in turn adversely affect our reputation, brand name, financial position and results of operations. In March 2019, a fatal accident occurred at a construction site under which our Group was engaged to provide building construction works. One construction worker, being an employee of a subcontractor of our Group, sustained fatal injury during the course of work. It was suspected that the worker was hit by a wooden plank falling from height when performing plastering works on the bamboo scaffolding working platform. In June 2019, a fatal accident occurred at a

RISK FACTORS

construction site located in Tung Chung under which our Group was engaged to provide building construction works. One construction worker, being an employee of a subcontractor of our Group's nominated subcontractor, sustained fatal injury during the course of work. It was suspected that the worker was crushed by a pile of aluminum panels that had toppled over on the worker as he was inspecting them. Pursuant to the Technical Circular (Works) No. 3/2009 (as revised with effect from 3 March 2014), it provides that the Development Bureau may consider regulating action against a contractor who has, among others, caused or contributed (whether by act or omission) to the occurrence of a serious incident on a construction site. In particular, the regulating action includes, among others, suspension from tendering. For further details, please refer to the sections headed "Business — Work safety — Fatal accident happened in March 2019" and "Business — Work safety — Fatal accident happened in June 2019" in this prospectus. There is no assurance that we will not be suspended from tendering for new projects with the relevant Government departments which may thus have a material adverse effect on our business, result of operations and financial position.

Majority of our Group's business is project-based. Fee collection and profit margin depend on the terms of the work contract and may not be regular

During the Track Record Period, the majority of our total revenue was derived from project-based works. Fee collection and profit margin significantly depend on various factors, such as the terms of the work contracts, the length of the contractual period and the efficiency of implementation of the contractual works. In this connection, the income flow of the business of our Group is irregular and is subject to different factors beyond the control of our Group. As such, there can be no guarantee that the profitability of a project can be maintained or accurately estimated. Furthermore, the profit margin, the fee collection by our Group, and time for revenue recognition depend on the terms of the work contracts and may also be irregular. Our results of operations and financial position could be adversely affected if the fee collection pattern significantly deviates from the estimation of our executive Directors.

We have relatively thin net profit margin and our financial results are highly sensitive to any unfavourable change in our contract prices and the market conditions in the construction industry in Hong Kong

We had relatively thin net profit margins during the Track Record Period. For the three years ended 31 December 2018 and the three months ended 31 March 2019, our net profit margin was approximately 1.8%, 1.9%, 1.3% and 1.5%, respectively. Our contract prices are affected by a variety of factors and vary with the types of projects. Our pricing strategy and policy may not be effective in maintaining our financial performance including our profit margin and profitability or we may fail to adjust our pricing policy to ensure we are responsive timely to market price changes and customers' responses. We may also be subject to escalations in the subcontracting costs, prices of materials and labour costs. We are also subject to loss of major customers and bad debts.

Since most of our revenue was derived in Hong Kong during the Track Record Period, our financial results are also susceptible to changes in market conditions of the construction industry in Hong Kong, which could affect our contract prices, costs and the volume of contracts awarded to us.

RISK FACTORS

Any unfavourable changes of the above and the market conditions in the construction industry in Hong Kong could have a material adverse effect on our business, operation, financial condition, profitability or cash flows. There is no assurance that our results of operation will continue to improve in the future and we could record lower net profit margin or even suffer a net loss.

The amount of revenue that we are able to derive from a project may be higher or lower than the original contract sum due to factors such as variation orders

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

If we and our customers take different views on the value of the works performed by us in accordance with the terms of contracts and variation orders, we may realise lower than anticipated profits or incur losses on contracts

Disputes may arise between our customers and us as to the value of work properly done in a particular period, and the progress payment that we are entitled to in the relevant period. In some projects, we are obliged to perform works beyond the scope of works as originally set out in the contracts or perform additional works when requested by our customers since the contracts may include variation clauses granting our customers such authorisation under the contracts.

The value of such works is generally ascertained with reference to the rates and prices specified in the contract for analogous work and/or the prevailing market rate. In the event that our Group and the quantity surveyor authorised by our customer fail to reach an agreement on the rate at which the works are determined, or if we and our customers take a different view on the exact scope of work required or the valuation of the works performed, disputes may arise and the settlement of our payment applications may be prolonged and thereby affect our liquidity and financial position. Even when the customer agrees to pay for the works, we may be required to fund the cost of such works for a lengthy period of time until the payment application is approved and funded by our customer. There is no assurance that we will be able to recover the cost of the works performed under such circumstances in full or at all, and we may not be able to maintain the same or similar profit margins under such circumstances.

If we fail to meet the requirements of our project contracts or quality standards of our services, we may face litigation, incur liquidated damages and additional costs and experience delays or difficulties in receiving payments, which may adversely affect our business and reputation

We are typically required to complete each project according to a fixed schedule by an agreed date as stated in the relevant contract. If we fail to complete a project in a timely manner, resulting in a breach of our contractual obligations, we may be liable to compensate our customers for losses or damages caused by the delay. For the projects undertaken by our Group, it is common to have a clause in our construction contracts providing for payment of damages for non-completion of works.

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Such clause usually provides that in the case of a delay in the completion of works, a sum of liquidated damages calculated on the basis of a fixed sum of money per day (as stated in the contracts) will have to be paid by our Group to the customer for the period during which the works so remain incomplete.

Any delay in the completion of a project, whether or not caused by us, could also lead to additional costs, including costs to hire additional manpower and to provide temporary storage for construction materials used. Since there is always a risk that construction projects undertaken by us may not be completed in accordance with the pre-set time schedule, we are subject to the risk of being claimed for the said liquidated damages. Such claims for liquidated damages will affect our profitability. Further, any failure on our part to complete a project in a timely manner could harm our reputation in the industry and hinder our ability to win future contracts and, as a result, our business, financial condition and results of operations could be materially and adversely affected.

In addition, our customers may instigate legal proceedings or litigations against us for any losses sustained by them if any of our subcontractors complete projects not in accordance with the terms specified in the relevant contracts. We may need to protect our interest through litigations, the outcome of which is uncertain and may divert our management's attention from our business operations and possibly result in significant legal costs. These litigation costs, together with the payment of damages, could adversely affect our profitability and financial performance.

Our Group relies on subcontractors to implement the contracts and there is no assurance that these subcontractors will be able to continue providing services to us at an acceptable standard or at fees acceptable to us or our relationship with them could be maintained in the future

For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, our Group's subcontracting fees amounted to approximately HK\$2,106.9 million, HK\$2,301.9 million, HK\$3,860.6 million and HK\$898.5 million, respectively, representing approximately 85.8%, 77.4%, 83.4% and 84.6% of the contract costs respectively. During the same periods, the subcontracting fees paid to our Group's five largest subcontractors accounted for approximately 26.3%, 24.2%, 23.1% and 21.6% of our Group's total subcontracting fees, respectively.

There is no guarantee that our principal subcontractors will continue to provide services to our Group at fees acceptable to us or our relationship with them could be maintained in the future. If any of our principal subcontractors are unable to provide the required services to our Group or their costs for providing the required services increase substantially, our business, results of operations, financial condition and prospects may be adversely affected.

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

In line with common industry practice, we subcontract our works to domestic or nominated subcontractors (as the case maybe). Please refer to the section headed "Business — Our subcontractors" in this prospectus for details. For each of the three years ended 31 December 2018 and

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the three months ended 31 March 2019, our Group's subcontracting fees amounted to approximately HK\$2,106.9 million, HK\$2,301.9 million, HK\$3,860.6 million and HK\$898.5 million, respectively. Our inability to engage qualified and competent subcontractors in adverse circumstance could hinder our ability to complete a project within the prescribed deadline.

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

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

We recorded negative net operating cash flows during the Track Record Period, which may expose us to certain liquidity risks and could constrain our operational flexibility

We had negative net operating cash flows of approximately HK\$59.3 million, HK\$358.1 million and HK\$22.5 million for the years ended 31 December 2016, 31 December 2018 and the three months ended 31 March 2019, respectively. Our net cash flows used in operating activities were significantly larger in 2018 than that in other periods, primarily due to the significant cash outflows incurred in connection with the commencement of four sizeable projects with contract sum over HK\$100.0 million and total aggregate original contract sum of approximately HK\$4,306.4 million, whereby we were required to pay upfront costs in advance. Our negative net operating cash flow was also contributed by a general mismatch between the receipts from our customers and the payments to our subcontractors and suppliers. For details, please refer to the section "Financial Information — Liquidity and Capital Resources — Cash flows" in this prospectus.

We cannot assure you that we will not experience negative net operating cash flows in the future. Our future liquidity, ability to make necessary capital expenditures, the payment of trade and other payables, as and when they become due, will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing. Our ability to generate adequate cash inflows from operating activities may be affected by our future operating performance, prevailing economic conditions, our financial, business and other factors, many of which are beyond our control. Also, we may not be able to renew or refinance our existing bank borrowings or secure additional external financing on a timely basis or on acceptable terms, or at all. The occurrence of any of the foregoing may cause us not to have sufficient cash flow to fund our operating costs and constrain our operational flexibility and, in that event, our business, financial condition and results of operations could be adversely affected.

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Our cash flows may deteriorate due to potential mismatch in time between receipt of progress payments from our customers, and payments to our subcontractors and suppliers

We delegate specific work tasks to different subcontractors from time to time. We also rely on machinery and equipment to carry out our operations, and need to purchase various construction materials including concrete and steel and rent construction machinery to complete our works. As such, we would record significant cash outflow in the event that we take up too many substantial projects during a particular period of time.

We rely on cash inflow from our customers to meet our payment obligations to our suppliers and subcontractors. Our cash inflow is dependent on prompt settlement of progress payments, and timely release of retention monies by our customers. There can be no assurance that our customers will settle our invoices on time and in full. In addition, when undertaking contract works, some of our customers may, depending on the contract terms, hold up a certain percentage of each payment made to us as retention money. Retention money is normally 10% of the value of the works done, and in aggregate subject to a maximum rate of 5% of the total contract sum and there can be no assurance that such retention money will be released by our customers to us on a timely basis and in full upon project completion and/or expiry of defects liability period.

As at 31 December 2016, 2017 and 2018 and 31 March 2019, we recorded trade receivables of approximately HK\$366.8 million, HK\$556.8 million, HK\$688.7 million and HK\$384.4 million, respectively. As at 31 December 2016, 2017 and 2018 and 31 March 2019, we recorded retention receivables of approximately HK\$255.1 million, HK\$394.6 million, HK\$498.6 million and HK\$500.8 million, respectively. For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, our trade receivables turnover days were approximately 58.8 days, 53.7 days, 47.2 days and 43.3 days respectively, while our trade payables turnover days recorded approximately 24.9 days, 38.9 days, 43.7 days and 44.3 days, respectively. Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our cash flows and financial positions. For the years ended 31 December 2016, 31 December 2018 and for the three months ended 31 March 2019, we recorded negative net operating cash flows of approximately HK\$59.3 million, HK\$358.1 million and HK\$22.5 million, respectively.

If we are unable to receive progress payments on time and in full or recover our contract assets, or if retention money is not fully released to us, our liquidity and financial position may be materially and adversely affected

We generally receive monthly progress payments from our customers according to the work done or services rendered. Such monthly progress payments would be assessed and agreed by our customers before the issuance of progress payment certificate. For details, please refer to the paragraph headed “Business — Execution of our projects — Project implementation — Issuance of progress payments by our customers and to our subcontractors” in this prospectus.

Our customers generally retain about 10% of each progress payment, in aggregate subject to maximum retention of 5% of the total contract sum as retention money. As at 31 December 2016, 2017, 2018 and 31 March 2019, our retention receivables amounted to approximately HK\$255.1 million, HK\$394.6 million, HK\$498.6 million and HK\$500.8 million, respectively. We had not written off any retention receivables during the Track Record Period.

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Contract assets consist of our rights to consideration for works completed but unbilled amounts resulting from the relevant building construction and RMAA contracts. Contract assets are reclassified to trade receivables when such rights become unconditional which was generally one to three months. Our Group recorded contract assets arising from construction services of approximately HK\$136.6 million, HK\$357.3 million, HK\$640.1 million and HK\$910.6 million as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively. For details, please refer to the section headed “Financial Information — Net current asset — Contract assets” in this prospectus.

We cannot assure you that the financial position of our customers will remain solvent or that our customers will settle our progress payments or release the retention money on time or that we will be able to recover our contract assets in full or at all in the future. If we do not receive our progress payments and retention money or recover our contract assets, our liquidity and financial position may be materially and adversely affected.

We are exposed to the credit risk in relation to our trade receivables

There is no assurance that our customers will meet their payment obligations on time, in full or at all, or that our Group’s average trade receivables turnover days will not increase. For the three years ended 31 December 2018 and the three months ended 31 March 2019, our trade receivables turnover days were, 58.8 days, 53.7 days, 47.2 days and 43.3 days, respectively. As at 31 December 2016, 2017 and 2018 and 31 March 2019, the balance of our Group’s trade receivables amounted to approximately HK\$366.8 million, HK\$556.8 million, HK\$688.7 million and HK\$384.4 million, respectively. We may also fail to detect changes to the credit risk in relation to our trade receivables over time. We could not guarantee that our Group is able to successfully collect any or all of the debts due, and any failure on the part of our Group’s customers to settle or settle on time the amounts due to us may adversely affect our Group’s financial condition and operating cash flows. If we fail to adequately manage our credit risks, our bad debt expense could be significantly higher than historic levels, which could adversely affect our business, results of operations and financial condition. As at 31 December 2016, 2017 and 2018 and 31 March 2019, provisions for impairment on our trade receivables was nil, nil, nil and HK\$2.0 million.

Our cash flows may fluctuate due to the nature of building construction works

As far as a single project is concerned, net cash outflows are normally recorded at the early stage of building construction works when we are required to pay the setting up expenditures. Progress payments will be paid after the building construction works commences and accordingly the cash flows for a particular project will turn into accumulative net inflows gradually as the building construction works progresses. For more information about the project execution, please refer the section headed “Business — Execution of our projects” in this prospectus.

We undertake a number of building construction works and RMAA works projects at any given period, and the cash outflows of a particular project could be compensated by the cash inflows of other projects. If we take up too many significant projects, which require substantial initial setting up costs

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without cash inflow from other projects at a particular point of time, our cash flow position may be adversely affected. For the years ended 31 December 2016, 31 December 2018 and for the three months ended 31 March 2019, we recorded negative net operating cash flows of approximately HK\$59.3 million, HK\$358.1 million and HK\$22.5 million, respectively.

Our Group is dependent on key personnel and there is no assurance that our Group can retain them

Our Directors believe that our success, to a large extent, is attributable to, among other things, the contribution of Mr. Guan Manyu, Mr. Li Kar Yin, Ms. Chu Ping, Mr. Law Ming Kin and Mr. Chan Tak Yiu, each being our executive Director. Details of their expertise and experience are set out in the section headed “Directors and senior management” in this prospectus.

Most of our senior management also have considerable long working experience in their respective professions and four of our executive Directors and senior management have been working with us for over eight years. The loss of any of our executive Directors or significant number of our senior management may have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. Competition in recruitment for such personnel is intense, and any failure to recruit and retain the necessary management personnel in a timely manner could harm our business and prospects.

Our profitability may be affected by the potential increase in depreciation expenses and staff costs upon our potential acquisition of additional machinery and our planned recruitment of additional staff

In the future, we may acquire additional machinery to cope with our business development and increase our overall efficiency, capacity and technical capability in performing building construction works and RMAA works. Please also refer to the section headed “Business — Our machinery” in this prospectus for details of our existing machinery.

As a result of the purchase of additional machinery, it is expected that additional depreciation will be charged to our profit and loss account and may therefore affect our financial performance and operating results. Based on the accounting policies adopted by our Group, depreciation on machinery is calculated using the straight-line method. Therefore, based on the intended timing of deployment of the proceeds for purchasing machinery and taking into account our existing machinery, it is estimated that additional depreciation expenses on plant and machinery will be incurred.

In addition to the acquisition of additional machinery, it is one of our business strategies to recruit additional staff by utilising a portion of net proceeds from the Share Offer so as to cope with our business development and improve our business management. For further details, please refer to the section headed “Future plans and use of proceeds”.

Our planned investments in machinery and labour resources will increase our fixed costs (including depreciation expenses and staff costs) but there is no assurance that there will be a satisfactory increase in our operational and financial performance as a result. Should we be unable to obtain more projects and increase our profitability after such planned investments, our business and financial positions and prospect may be adversely affected.

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Any failure to maintain effective quality control system in our Group could have a material adverse effect on our business and operations

We believe that the reputation and brand name that we have built up over the years play a significant role in enabling us to attract customers and secure projects. The promotion and enhancement of our reputation and brand name depend largely on our ability to provide quality and timely service to our customers. If we fail to do so or our customers no longer perceive our services to be of high quality, our brand name and reputation could be adversely affected which will in turn materially and adversely affect our business, financial condition and results of operation.

In order to maintain our quality of service, we need to continue to maintain an effective quality control system for our project management service and works provided to our customers. The effectiveness of our quality control system depends significantly on a number of factors, including a timely update of our quality control system to suit the ever-changing business needs, training programme as well as our ability to ensure that our quality control policies and guidelines are adhered to. Any failure or deterioration of our quality control system could result in defects in our works, which in turn may jeopardise our reputation, reduce demands for our services or even subject us to contractual liabilities and other claims. Any such claims, regardless of whether they are ultimately valid, could cause us to incur significant costs, harm our reputation and/or result in significant disruption to our operations. Furthermore, if any of such claims were ultimately valid, we could be required to pay substantial monetary damages or penalties, which could have a material adverse impact on our business, financial condition and results of operations.

Our insurance may not fully cover all the potential losses arising from our operations

Our insurance policies may not fully cover all the potential losses incurred from damages or liabilities in relation to our services provided. There are certain exposures which are excluded from the insurance policies that we have procured or which are not commercially viable to have been procured for market reasons. Such exposures may include potential additional costs incurred during defects liability period, potential losses due to war, terrorism, pollution, fraud, professional negligence and acts of God. Our insurers may become impaired and find themselves financially unable to meet claims. For more details of our insurance, please refer to the section headed “Business — Insurance” in this prospectus. In the event that we suffer from any losses, damages or liabilities in the course of our business operations which our insurance does not cover or which we have no insurance to cover, we may not have sufficient funds to cover such losses, damages or liabilities. Any resulting payment from our own resources to cover such losses, damages or liabilities may have a material adverse effect on our business, results of operations and financial position.

Our Group may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees or other third parties

There is no assurance that instances of fraud or other misconduct committed by our employees or other third parties will not take place in the future. We may be unable to detect, deter and prevent all such instances. Any of such fraud or other misconducts committed at the expense of our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our Group’s business operations, results and financial conditions.

RISK FACTORS

RISKS RELATING TO OUR INDUSTRY

Our performance is dependent on market conditions and trends in the construction industry and in the overall economy which may change adversely

Most of our operations and management are currently located in Hong Kong. Any policy that may have a negative impact on investment sentiment in Hong Kong may, in turn, have an adverse effect on the general economy of Hong Kong and hence the prospects of the construction industry in Hong Kong. The future growth and level of profitability of the construction industry in Hong Kong mostly rely on the continued availability of major construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the Government's spending pattern on the construction industry in Hong Kong and the general conditions and prospects of Hong Kong's economy. These factors may affect the availability of construction projects from the public sector and private sector.

The Hong Kong economy may experience considerable volatility. Being one of Hong Kong's primary economic sectors, the construction industry may decline as a result of Hong Kong's general economic downturn. Although a number of infrastructure projects are in the pipeline as set out in the section headed "Industry overview" in this prospectus, these projects are susceptible to delays and the availability of the Government funds. There are also many other factors affecting the construction industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, a reduction in the capital expenditure by the Government on infrastructure projects, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations and profits could be materially and adversely affected.

We operate in a competitive industry

We operate in a highly competitive industry in which our competitors include a number of approved contractors that comprise of various global, Hong Kong and China-based companies that provide services similar to ours. Some of our competitors may have stronger brand names, greater access to capital, longer operating histories, longer and more established relationship with their customers, and greater marketing and other resources than we do. Due to the evolving markets in which we compete, additional competitors with significant market presence and financial resources may enter those markets provided that they have the appropriate skills and are granted the requisite licenses, and thereby intensify the competition. These competitors may be able to reduce our market share by adopting more aggressive pricing policies than we can or by developing services that gain wider market acceptance than our service does. Existing and potential competitors may also develop relationships with our customers in a manner that could significantly harm our ability to secure contracts.

For our business, our market position depends on our ability to anticipate and respond to various competitive factors, including effective cost control, technical expertise and timely completion of the

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contracts to meet customers' schedules. There can be no assurance that the competition in the tendering process will not intensify in the future and if we fail to maintain or improve our market position or fail to respond successfully to changes in the competitive landscape, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Building construction works and RMAA works industries are highly labour intensive and we rely on a stable supply of labour to carry out our projects

Building construction works and RMAA works projects involve labour intensive works. For any given project, a large number of workers from different trades with different skills may be required.

There is no guarantee that the supply of labour and average labour costs will be stable. In the event that we or our subcontractors fail to retain the existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of our existing or future projects and/or there is a significant increase in the costs of labour, we may not be able to complete our projects on schedule and our operations and profitability may be adversely affected.

We engage directly or indirectly labour of different trade unions who may launch industrial actions or strikes to demand for higher wages and shorter working hours

Construction works usually split into various different trade. Each trade requires highly skillful labour of its own and may not be substituted from labour of other trade.

During the Track Record Period, the building construction works and RMAA works industries in Hong Kong had not encountered any strike action. Nevertheless, we are exposed to the risk that some trade unions may launch industrial actions or even strikes to demand for higher wages and shorter working hours. If their demands are to be met, we will incur additional labour costs, or if not, we may expose risk to paying damages to our customers for any delays in completion of our contracts. In either case, these industrial actions or strikes may have adverse impact on our profitability and financial results.

The Government's budget and funding for public sector projects may be adversely affected by lawmakers' filibustering in the Legislative Council of the HKSAR

During the Track Record Period, approximately 29.7%, 15.0%, 9.3% and 6.3% of our revenue was derived from public sector projects for each of the three years ended 31 December 2018 and the three months ended 31 March 2019. However, in recent years, filibustering by Hong Kong lawmakers has in certain cases led to the failure of or delay in the funding approval for certain public sector projects by the committees of the Legislative Council of the HKSAR. In addition, there is also a risk that after being awarded with a contract, the commencement date and the scope of works may be delayed, reduced, or otherwise adversely affected as a result of lawmakers' filibustering in the Legislative Council of the HKSAR. In such cases, our business, financial position and prospect could be materially and adversely affected.

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Weather conditions, natural disasters, acts of God, political unrest and other events may have negative impact on the construction industry

Weather conditions, natural disaster and other acts of God which are beyond our control may materially and adversely affect the economy, the construction industry and our business, as a result of which our operations and financial condition may be adversely affected. Political unrest may also cause damage or disruption to our business, our employees and our markets, any of which could materially and adversely affect our overall results of operations and financial condition.

In addition, power failures, fire or explosions or other natural disasters could cause disruption in our Group's operations or cause delays in our delivery schedules.

RISKS RELATING TO HONG KONG

The state of economy in Hong Kong may adversely affect our performance and financial condition

All of our revenue during the Track Record Period was generated from projects located in Hong Kong. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained

Prior to the Share Offer, no public market for our Shares existed. Following the completion of the Share Offer, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure that an active trading market for our Shares will be developed or be sustained after the Share Offer. In addition, we cannot assure that our Shares will trade in the public market subsequent to the Share Offer at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by agreement among the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and us, and may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of Shares could be materially and adversely affected.

The trading prices and volume of the Shares may be volatile, which could result in substantial losses to investors

The trading price of the Shares may be volatile and could fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of the Shares; changes in securities analysts' (if any) estimates of our financial performance; investors' perceptions of us and the general

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investment environment; changes in laws, regulations and taxation systems which affect our operations; general market conditions of the securities markets in Hong Kong. In particular, the trading price performance of our competitors which securities are listed on the Stock Exchange may affect trading price of the Shares. These broad market and industry factors may significantly affect the market price and volatility of the Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for the Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow, success or failure of our efforts in implementing business and growth strategies; involvement in material litigation as well as recruitment or departure of key personnel, could cause the market price of the Shares to change unexpectedly. Any of these factors may result in large and sudden changes in the volume and trading price of the Shares.

Investors in the Share Offer may experience dilution if we issue additional Shares in the future

In order to expand our business, we may consider issuing additional Shares in the future. Investors of our Shares may experience immediate dilution in the net tangible asset book value per Share if we issue additional Shares in the future at a price which is lower than the then net tangible asset book value per Share.

Substantial future sale of the Shares in the public market could adversely affect their trading price

Sale of substantial amounts of the Shares in the public market after the completion of the Share Offer, or the perception that such sale could occur, could adversely affect the market price of the Shares and could materially impair our future ability to raise capital through offerings of the Shares. There is no assurance that our Controlling Shareholders would not dispose of their Shares. Any significant disposal of the Shares by any of our Controlling Shareholders may materially affect the prevailing market price of the Shares. In addition, these disposals may induce more difficulties for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our liability to raise further capital.

We cannot predict what effect, if any, significant future sale will have on the market price of the Shares.

Shareholders and investors could face difficulties in protecting their interest because our Company was incorporated under the laws of the Cayman Islands and these laws could provide different protections to minority Shareholders than the laws of Hong Kong

Our corporate affairs are governed by the Memorandum and the Articles and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders could differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences could mean that the minority Shareholders could have different protections than they would have under the laws of Hong Kong.

RISK FACTORS

RISKS RELATING TO THIS PROSPECTUS

Certain facts and statistics from official sources contained in this prospectus have come from various government official publications whose reliability cannot be assumed or assured

Facts and statistics from official sources contained in this prospectus are derived from various publicly available government official publications and generally believed to be reliable. However, we cannot guarantee the quality and reliability of these publications. Whilst our Directors and the Sole Sponsor have taken reasonable care to ensure that the facts and statistics in this prospectus are accurately reproduced from other respective official sources, these facts and statistics have not been independently verified by us. We, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors and advisers or any other parties involved in the Share Offer do not make any representation as to the accuracy or any other facts and statistics derived from government official publications, which may not be consistent with other information and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics derived from government official publications may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

There are risks associated with the forward-looking statements contained in this prospectus

The information in this prospectus contains certain forward-looking statements and information relating to us that are based on the belief of our Directors as well as assumptions based on the information currently available to them. In this prospectus, the words “believe”, “consider”, “estimate”, “expect”, and similar expressions, as they relate to our Company or our Group or our Directors, are intended to, among others, identify forward-looking statements. Such statements reflect the current views of our Directors with respect to, among others, future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should underlying assumptions are proved to be incorrect, our financial condition may be adversely affected and vary materially from those described herein as believed, considered, estimated or expected.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Company Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus, and the procedures for applying for the Public Offer Shares and the Employee Reserved Shares are set out in the section headed “How to apply for Public Offer Shares and Employee Reserved Shares” in this prospectus and in the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. Details of the terms of the Share Offer are described in the section headed “Structure and conditions of the Share Offer” and in the related Application Forms.

The Listing is sponsored by the Sole Sponsor and the Share Offer is managed by the Joint Bookrunners and the Joint Lead Managers. The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is expected to be fully underwritten by the Placing Underwriters.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any such circumstances such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

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

No action has been taken to register or qualify the Offer Shares or the Share Offer, or otherwise to permit a public offering of the Offer Shares, in any jurisdiction outside Hong Kong. The distribution of this prospectus and the related Application Forms in jurisdictions outside Hong Kong may be restricted by law and therefore persons into whose possession this prospectus or any of the related Application Forms comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws.

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his or her or its acquisition of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offer of the Offer Shares described in this prospectus.

Prospective applicants for the Offer Shares should consult their financial advisors and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

HONG KONG SHARE REGISTRAR AND STAMP DUTY

All the Offer Shares will be registered on the Hong Kong branch register of members to be maintained by Tricor Investor Services Limited. Dealings in the Offer Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained by our Company's principal share registrar in the Cayman Islands will not be subject to the Cayman Islands stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, the Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Offer Shares or the exercise of their rights thereunder.

ROUNDING

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure of the Share Offer are set out in the section headed "Structure and conditions of the Share Offer".

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for applying for the Public Offer Shares is set out in the section headed "How to apply for Public Offer Shares and Employee Reserved Shares" in this prospectus and on the related Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on or about Wednesday, 16 October 2019. The Shares will be traded in board lots of 2,500 Shares each.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translation, the Chinese names shall prevail.

CURRENCY TRANSLATIONS

Unless otherwise specified, conversion of US\$ into HK\$ in this prospectus is based on the exchange rate set out below (for illustration purposes only):

US\$1.00 : HK\$7.80

No representation is made that any amounts in US\$ and HK\$ can be or could have been converted at the relevant dates at the above exchange rate at any other rate or at all.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

Waiver and consent in respect of Employee Preferential Offering

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waiver from strict compliance with Rule 10.03 and a consent under paragraph 5 of Appendix 6 of the Listing Rules in relation to the participation by the Eligible Directors and/or their close associates in the Employee Preferential Offering on the basis that, among other things, the Employee Reserved Shares will be offered to the Eligible Directors and/or their close associates in their capacity as Eligible Employees (rather than in their capacity as directors and/or their close associates) and on the same terms as all other Eligible Employees and that no preferential treatment will be given to the Eligible Directors and/or their close associates in the allocation of the Employee Reserved Shares under the Employee Preferential Offering. The allocation of the Employee Reserved Shares to the Eligible Directors and/or their close associates would not affect the public float of our Company upon the Listing and our Company would be able to satisfy the public float requirement under the Listing Rules upon the Listing. For details of the Employee Preferential Offering, please refer to the section headed “Structure and conditions of the Share Offer — The Employee Preferential Offering” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. GUAN Manyu (管滿宇)	Flat F, 31/F, Block 3 Island Resort 28 Siu Sai Wan Road Siu Sai Wan Hong Kong	Chinese
Mr. LI Kar Yin (李嘉賢)	2/F, Merri Court 65 Maidstone Road Kowloon Hong Kong	Chinese
Ms. CHU Ping (朱萍)	Room D, 28/F, Block 2 Tsuen Wan Plaza 4-30 Tai Pa Street Tsuen Wan New Territories Hong Kong	Chinese
Mr. LAW Ming Kin (羅明健)	Room B, 20/F, Block 14 Provident Centre Wharf Road North Point Hong Kong	Chinese
Mr. CHAN Tak Yiu (陳德耀)	House 32B, 1/F JC Castle 18 Shan Tong Road Tai Po New Territories Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. YANG Haojiang (楊昊江)	Flat D, 1/F, Block 6 Metro City Phase 1 Tseung Kwan O New Territories Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Residential Address	Nationality
<i>Independent non-executive Directors</i>		
The Honourable TSE Wai Chun Paul JP (謝偉俊) (太平紳士)	Unit C, 5/F The Morgan 31 Conduit Road Hong Kong	Chinese
Mr. LI Ka Fai David (李家暉)	Flat C, 2/F Pinewood Garden 39 Perkins Road Jardine's Lookout Hong Kong	Chinese
Mr. HO Man Yiu Ivan (何文堯)	Flat A, 9/F, Beverly Court 2C Shiu Fai Terrace Wanchai Hong Kong	Chinese

For detailed information of our Directors, please refer to the section headed "Directors and senior management" in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sole Sponsor

First Shanghai Capital Limited

19/F., Wing On House

71 Des Voeux Road Central

Hong Kong

(A licensed corporation to carry out type 6 regulated activities (advising on corporate finance) under the SFO)

Joint Bookrunners

First Shanghai Securities Limited

19/F & Room 2505-10, Wing On House

71 Des Voeux Road Central

Hong Kong

(A licensed corporation to carry out types 1, 4 and 6 regulated activities (dealing in securities, advising on securities and advising on corporate finance) under the SFO)

Zhongtai International Securities Limited

19/F., Li Po Chun Chambers

189 Des Voeux Road Central

Central, Hong Kong

(a licensed corporation to carry out types 1 and 4 regulated activities (dealing in securities and advising on securities) under the SFO)

First Capital Securities Limited

Unit 4512, 45/F

The Center

99 Queen's Road Central

Central, Hong Kong

(a licensed corporation to carry out types 1 and 4 regulated activities (dealing in securities and advising on securities) under the SFO)

Guotai Junan Securities (Hong Kong) Limited

27/F Low Block Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

(a licensed corporation to carry out types 1 and 4 regulated activities (dealing in securities and advising on securities) under the SFO)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Joint Lead Managers

Haitong International Securities Company Limited

22/F., Li Po Chun Chambers

189 Des Voeux Road Central

Hong Kong

(a licensed corporation to carry out types 1, 3 and 4 regulated activities (dealing in securities, leveraged foreign exchange trading and advising on securities) under the SFO)

First Shanghai Securities Limited

19/F & Room 2505-10, Wing On House

71 Des Voeux Road Central

Hong Kong

(A licensed corporation to carry out types 1, 4 and 6 regulated activities (dealing in securities, advising on securities and advising on corporate finance) under the SFO)

Zhongtai International Securities Limited

19/F., Li Po Chun Chambers

189 Des Voeux Road Central

Central, Hong Kong

(a licensed corporation to carry out types 1 and 4 regulated activities (dealing in securities and advising on securities) under the SFO)

First Capital Securities Limited

Unit 4512, 45/F

The Center

99 Queen's Road Central

Central, Hong Kong

(a licensed corporation to carry out types 1 and 4 regulated activities (dealing in securities and advising on securities) under the SFO)

Guotai Junan Securities (Hong Kong) Limited

27/F Low Block Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

(a licensed corporation to carry out types 1 and 4 regulated activities (dealing in securities and advising on securities) under the SFO)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Haitong International Securities Company Limited

22/F., Li Po Chun Chambers

189 Des Voeux Road Central

Hong Kong

(a licensed corporation to carry out types 1, 3 and 4 regulated activities (dealing in securities, leveraged foreign exchange trading and advising on securities) under the SFO)

Livermore Holdings Limited

Unit 1214A, 12/F Tower II

Cheung Sha Wan Plaza

833 Cheung Sha Wan Road

Kowloon, Hong Kong

(a licensed corporation to carry out type 1 regulated activities (dealing in securities) under the SFO)

CVP Securities Limited

19/F, 88 Gloucester Road

Wanchai, Hong Kong

(a licensed corporation to carry out types 1 and 2 regulated activities (dealing in securities and dealing in futures contracts) under the SFO)

Zinvest Global Limited

Room 1702B, 17/F, Lippo Center Tower 2,

89 Queensway, Hong Kong

(a licensed corporation to carry out types 1, 2, 4 and 5 regulated activities (dealing in securities, dealing in futures contracts, advising on securities and advising on futures contracts) under the SFO)

Legal advisers to our Company

As to the Hong Kong law

David Fong & Co.

Solicitors, Hong Kong

Unit A, 12/F

China Overseas Building

139 Hennessy Road

Wanchai

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

*As to Employee's Compensation Ordinance
(Chapter 282 of the Laws of Hong Kong)*

Ng, Au Yeung & Partners

Solicitors, Hong Kong

Units E & F, 4/F

China Overseas Building

139 Hennessy Road

Wanchai

Hong Kong

As to the PRC law

GFE Law Office

Units 3409-3412

Guangzhou CTF Finance Center

No. 6 Zhujiang Road East

Zhujiang New Town

Guangzhou

Guangdong Province

PRC

As to the Macau law

Rato, Ling, Lei & Cortés — Advogados

23rd Floor

Macau Landmark Office Tower

Avenida da Amizade, 555

Macau

As to Cayman Islands law

Conyers Dill & Pearman

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

**Legal adviser to the Sole Sponsor and
the Underwriters**

As to the Hong Kong law

Li & Partners

Solicitors, Hong Kong

22nd Floor

World-Wide House

Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Auditor and reporting accountants	Ernst & Young <i>Certified Public Accountants</i> 22/F CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Industry consultant	China Insights Consultancy Limited 10/F Tomorrow Square 399 West Nanjing Road, Huangpu District Shanghai, the PRC
Compliance adviser	First Shanghai Capital Limited 19/F, Wing On House 71 Des Voeux Road Central Hong Kong
Receiving bank	Industrial and Commercial Bank of China (Asia) Limited 33/F ICBC Tower 3 Garden Road Central Hong Kong
Independent registered safety auditor	Tse Wing Ning Flat F, 22/F, Block 6 Belvedere Garden Phase 2 620 Castle Peak Road Tsuen Wan New Territories Hong Kong Shack Hon Ying 1/F, No. 20C Wan Long Village Yung Shue Wan Lamma Island Hong Kong

CORPORATE INFORMATION

Registered office

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

**Headquarters and principal office
of business in Hong Kong**

Units 3-16, 32/F
Standard Chartered Tower
Millennium City 1
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

Company secretary

Ms. LEUNG Suet Lun
Certified Public Accountant
31/F, Tower 2
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Authorised representatives

Mr. LI Kar Yin
2/F, Merri Court
65 Maidstone Road
Kowloon
Hong Kong

Ms. LEUNG Suet Lun
31/F, Tower 2
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Members of audit committee

Mr. LI Ka Fai David (*Chairman*)

The Honourable TSE Wai Chun Paul JP

Mr. HO Man Yiu Ivan

CORPORATE INFORMATION

Members of remuneration committee	Mr. LI Ka Fai David (<i>Chairman</i>) The Honourable TSE Wai Chun Paul JP Mr. HO Man Yiu Ivan Mr. LI Kar Yin
Members of nomination committee	Mr. GUAN Manyu (<i>Chairman</i>) Mr. LI Kar Yin Mr. LI Ka Fai David The Honourable TSE Wai Chun Paul JP Mr. HO Man Yiu Ivan
Cayman Islands principal share register and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central Central Hong Kong Nanyang Commercial Bank Limited 151 Des Voeux Road Central Central Hong Kong
Company's website	www.cr-construction.com.hk <i>(information of this website does not form part of this prospectus)</i>

INDUSTRY OVERVIEW

The information presented in this section is, including certain facts, statistics and data, derived from the market research report (“CIC Report”) prepared by China Insights Consultancy Limited, an independent market research and consulting company which was commissioned by us and from various official government publications and other publicly available publications, unless otherwise indicated. We believe that these sources are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Share Offer (except for CIC) and no representation is given as to its accuracy, completeness or fairness (except for CIC). The information and statistics may not be consistent with other information and statistics compiled within or outside of Hong Kong. As a result, excessive reliance on the information contained in this section shall be avoided.

SOURCE OF INFORMATION

We commissioned CIC, a market research and consulting company and an independent third party, to conduct an analysis of, and to report on the Hong Kong’s building construction works and RMAA works industries for the period from 2014 to 2023. The fee payable to CIC for preparing the CIC Report is HK\$700,000, which we consider reflects market rates for similar services. CIC is a consulting firm founded in Hong Kong. It provides professional industry consulting across multiple industries. CIC’s services include industry consulting service, commercial due diligence, strategic consulting, etc.

Our Directors are of the view that the information set forth in this section is reliable and not misleading. The information in this section was extracted from the CIC Report and CIC is an independent professional market research company with extensive experience in their profession. The information and data collected by CIC have been analysed, assessed and validated using CIC’s in-house analysis models and techniques. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as Hong Kong Census and Statistics Department (the “HKC&SD”) and industry associations. The methodology used by CIC is based on information gathered from multiple levels and allows such information to be cross-referenced for reliability and accuracy. On such basis we consider the data and statistics to be reliable. Our Directors confirm that after making reasonable enquiries, there is no material adverse change in the market information since the date of the CIC report which may qualify, contradict or have an impact on the information in this section.

The CIC report contains a variety of market projections which were produced with the following key assumptions: (i) the overall social, economic, and political environment in Hong Kong is expected to remain stable from 2019 to 2023 (“**Forecast Period**”); (ii) Hong Kong’s economy is likely to maintain a steady growth trajectory during the Forecast Period, accompanied with continuing urbanisation; (iii) related key industry drivers are likely to propel continued growth in Hong Kong’s building construction works industry throughout the Forecast Period, including increasing land supply, increasing demand for residential buildings and hotels, mega public infrastructure projects, and stable macroeconomic environment in Hong Kong; and (iv) there is no extreme *force majeure* or unforeseen industry regulations in which the market may be affected in either a dramatic or fundamental way.

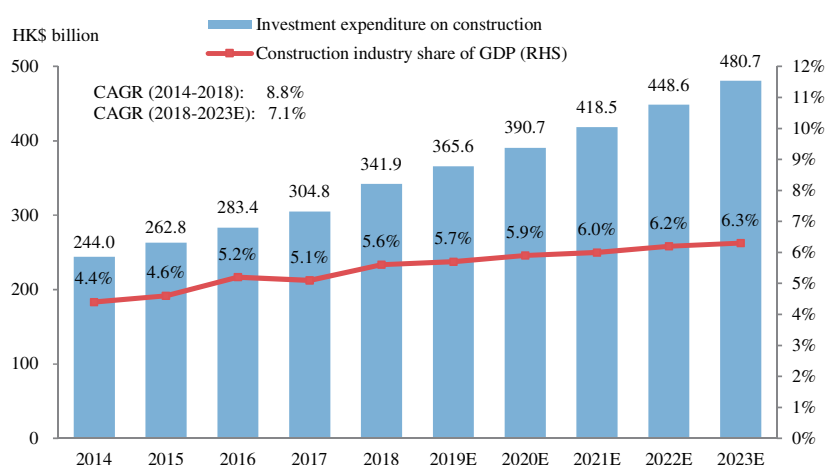
INDUSTRY OVERVIEW

MACROECONOMICS DEVELOPMENT OF HONG KONG

Hong Kong's investment expenditure on construction

The construction industry in Hong Kong amassed HK\$341.9 billion in investments in 2018, having achieved a CAGR of 8.8% between 2014 and 2018. The construction industry contributed 4.4% to total GDP in 2014, with this share increased to 5.6% in 2018. The plan for “Ten Major Infrastructure Projects”, which was first announced in 2007, is being rolled out in phases as scheduled, which will boost Hong Kong's construction market and increase the construction industry's prominence within the region's economy. According to the 2018 Policy Address, the Government has set a target to supply 97,000 new residential units. This plan aims to ease the ongoing shortage of housing units while stimulating growth in the construction industry. During the Forecast Period, Hong Kong's investment expenditure is expected to maintain a high level of growth, among which the investment on building and construction is meanwhile estimated to reach HK\$480.7 billion by 2023, with a CAGR of 7.1% between 2018 and 2023.

Investment expenditure on construction, and the construction industry's share of GDP, Hong Kong, 2014-2023E



Source: HKC&SD, CIC

Hong Kong's residential units

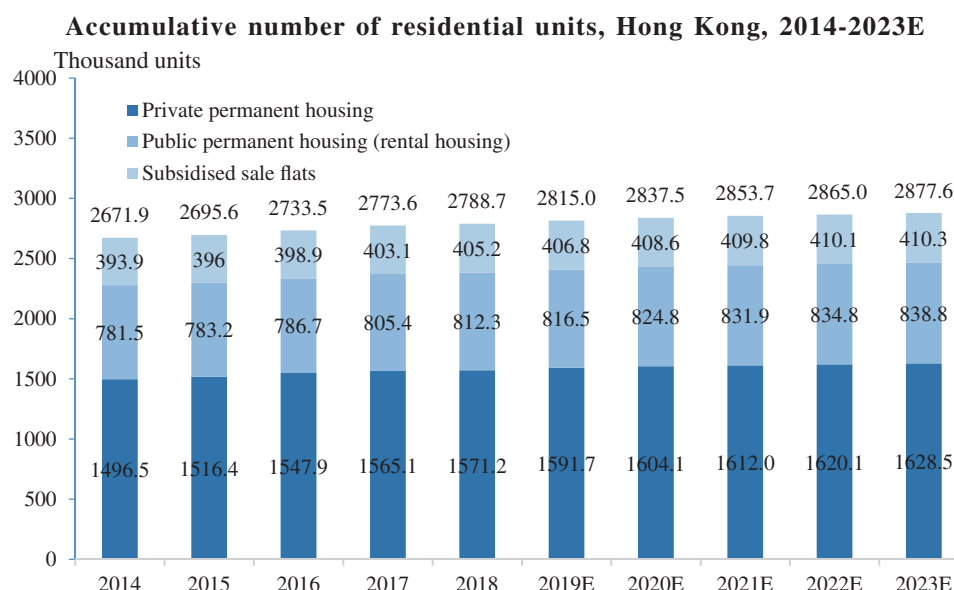
The accumulative number of residential units in Hong Kong increased from 2,671,900 in 2014 to 2,788,700 in 2018, representing a CAGR of 1.1% between 2014 and 2018.

From 2018 to 2023, over 110,000 public housing units are planned to be built according to Hong Kong government. According to Long Term Housing Strategy Annual Progress Report 2018, the target supply for housing units for 2019 to 2029 would be 450,000, which implies sustainable growth potential for Hong Kong's property industry. Furthermore, according to Chief Executive's 2018 Policy Address, the Government intends to increase the ratio of public housing, allocate more land to public housing development and undertake that 70% of the housing units on Government's newly developed land will be for public housing.

As the market competition on private projects is more intense than public projects, it is an industry norm that average gross profit margin of private projects is lower than that of public projects.

The accumulative number of residential units in Hong Kong is expected to reach 2,877,600 in 2023, with a CAGR of 0.6% between 2018 and 2023. Thus, the continuous demand from Hong Kong's property industry would stimulate Hong Kong construction industry to remain a long term growth in the forecast period.

INDUSTRY OVERVIEW



Source: HKC&SD, CIC

OVERVIEW OF BUILDING CONSTRUCTION WORKS INDUSTRY IN HONG KONG

Building construction works is the process of constructing different types of buildings, including residential, commercial, industrial and service buildings. A construction project is typically acquired by a main contractor in its entirety by way of the tender process, with the main contractor either performing all of the construction works for any given project itself or by subcontracting out certain parts of the project to other subcontractors, especially as concerns some of the more specialised construction works.

Value chain analysis of Hong Kong's building construction works industry

The upstream segment of the building construction works industry includes suppliers of raw materials and equipment. The suppliers provide various kinds of raw materials and equipment to main contractors and subcontractors, including steel bars, cement, pile drivers, etc., all in support of carrying out construction projects.

The midstream segment of the building construction works industry includes the main contractors for all kinds of building construction works projects. A main contractor is responsible for (i) overall management of the projects; (ii) formulating work programmes; (iii) engaging subcontractors and supervising their works; (iv) sourcing construction materials; (v) communication and coordination with our customers and their consultant teams; and (vi) safeguarding compliance with safety, environmental and other contractual requirements. For public projects, the Government typically adopts open tender and tender by invitation. For private projects, land owners and property developers usually prefer tender by invitation only. In order to reduce project costs and improve overall efficiency, Subcontracting is common in Hong Kong's building construction works industry. Subcontractors are normally responsible for specialised parts of whole projects, such as foundation works, demolition works, etc.

The downstream segment of the building construction works industry includes land owners, property developers and the Government. Land owners and property developers are responsible for private sector projects while the Government spearheads public sector projects. Even though the Housing Authority of Hong Kong issues a public housing construction plan every year, residential and commercial building projects mostly fall within the purview of the private sector.

INDUSTRY OVERVIEW

Market size and forecast for Hong Kong's building construction works industry

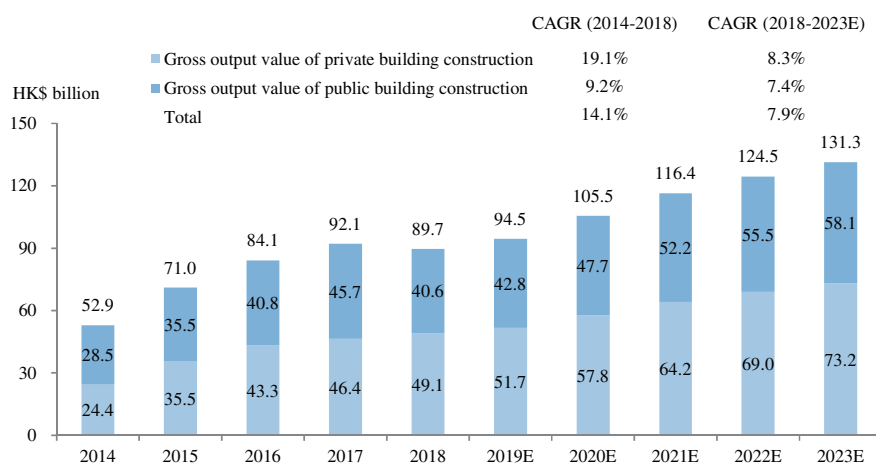
From 2014 to 2018, the gross output value of building construction works in Hong Kong increased from HK\$52.9 billion to HK\$89.7 billion, with a CAGR of 14.1%. When categorised by broad end-use groups, private building construction works captured roughly 54.7% of the total value for 2018, while public building construction works have taken up the remaining 45.3%.

According to the 2018-19 Budget proposed by the Financial Secretary of Hong Kong, the Government will increase Hong Kong's land supply on all fronts in order to satisfy the region's housing, economic, and social development needs. In particular, the 2018-19 Land Sale Programme comprises 27 residential sites capable of providing a total of 15,200 units. In terms of commercial land supply, the Government will put up for sale four commercial/hotel sites, capable of providing about 530,000 square meter of floor area. The government's private land supply plan for the year 2018-2019 is expected to stimulate the gross output value for private building construction works to reach HK\$73.2 billion by 2023, with a CAGR of 8.3% from 2018 to 2023.

As for public building construction works, the 2018 Policy Address projects that construction of public housing will provide for around 97,000 new units until 2022. In addition, a number of infrastructure projects, including the proposed plan for the "Ten Major Infrastructure projects", have also provided a boost to the growth of Hong Kong's public building construction works industry. Since some of these projects are still ongoing, including the West Kowloon Cultural District (西九文化區) project and the Kai Tak Development (啟德發展計劃) project, it is expected that infrastructure projects will provide a constant stimulus for Hong Kong's public building construction works industry until 2023. But with the public housing plan expected to progress at a slower pace compared with plans for expanding the private land supply, the gross output value for public building construction works is expected to increase at a slightly lower CAGR of 7.4% compared with private building construction works between 2018 and 2023.

Thus, given the bright prospects for Hong Kong's building construction works industry in terms of both private and public sectors, the gross output value for this industry is expected to continue increasing to reach HK\$131.3 billion by 2023, with a combined CAGR of 7.9% between 2018 and 2023. Private building construction works is expected to capture roughly 55.8% of the total market value by 2023, with public building construction works taking up the remaining 44.2%.

Gross output value of building construction works categorised by broad end-use groups, Hong Kong, 2014-2023E



Source: HKC&SD, CIC

The gross output value of residential building construction works increased from HK\$35.2 billion in 2014 to HK\$58.5 billion in 2018, with a CAGR of 13.5%, and is expected to continue increasing to reach as much as roughly HK\$86.6 billion by 2023, increasing at a CAGR of 8.2% between 2018 and 2023, and maintaining a 66.0% share of gross output value within the industry.

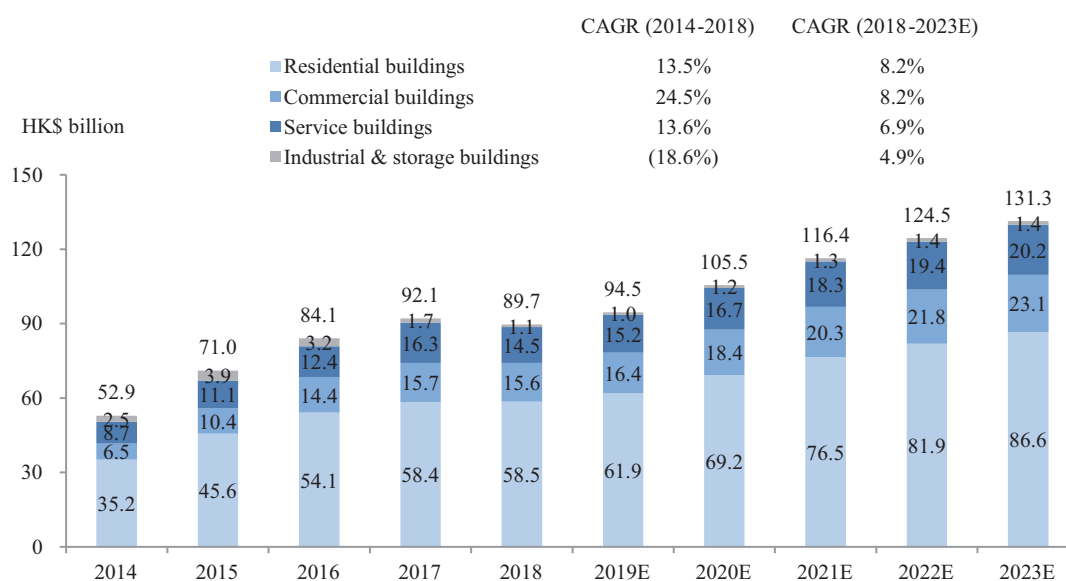
INDUSTRY OVERVIEW

As for commercial buildings, the gross output value of its construction works increased from HK\$6.5 billion in 2014 to HK\$15.6 billion in 2018, increasing at a CAGR of 24.5%. In recent years, increasing interest from mainland developers entering into Hong Kong's real estate market has led to a significant increase in the number of commercial building projects. The gross output value of commercial building construction works is expected to increase to HK\$23.1 billion in 2023, with a CAGR of 8.2% between 2018 and 2023.

In terms of gross output value, service buildings experienced a relatively slow increase between 2014 and 2018. Given an oversaturation of land used for service buildings, newly constructed service buildings, e.g., schools and hospitals, can only choose rural areas for expansion purposes. Therefore, service buildings as a category will most likely see a slower growth, with its share of gross output value generated in the industry dropping from 16.2% in 2018 to as low as 15.4% by 2023.

The Government has put forward a plan for the revitalisation of industrial buildings in Hong Kong by rezoning suitable present industrial land from "Industrial" to "Other Specified Uses (Business)" zones. Thus, the gross output value of industrial building construction works projects is expected to continue rising between 2019 and 2023, albeit at a lower CAGR.

Gross output value of building construction works categorised by detailed end-use groups, Hong Kong, 2014-2023E



Source: HKC&SD, CIC

Drivers of Hong Kong's building construction works industry

- (i) **Increasing land supply:** According to the five-year plan put forward by the Government to allocate more land for residential property development, it is expected that a total of around 150 sites and 210,000 public and private housing units will be rezoned. The policy will further drive the development of Hong Kong's construction industry.
- (ii) **Increasing demand for residential buildings and hotels:** Both Hong Kong's total population and the number of tourists visiting Hong Kong have continued to increase over the past years, stimulating demand for both residential buildings as well as hotels in order to accommodate these increases. It is expected that more residential projects and hotels will be built in Hong Kong in the future, thus stimulating further growth in Hong Kong's construction industry.

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- (iii) ***Mega public infrastructure projects:*** Since the announcement of the “Ten Major Infrastructure Projects” in 2007, Hong Kong’s construction industry has enjoyed a period of rapid growth with a significant increase in investment on a number of public infrastructure megaprojects. As of 31 December 2018, there were still several projects ongoing, including the West Kowloon Cultural District project, the Kai Tak Development project, and the third runway for Hong Kong International Airport. These public infrastructure megaprojects have provided a great deal of new opportunities for Hong Kong’s construction industry, with these projects also being expected to spur on demand for related construction work throughout the Forecast Period.
- (iv) ***Stable macroeconomic environment in Hong Kong:*** Between 2014 and 2018, Hong Kong’s nominal GDP increased from HK\$2,260.0 billion to HK\$2,823.6 billion, increasing at a CAGR of 5.7%. With good momentum bolstering the macroeconomic environment, private residential building prices increased by approximately 13.0% between 2014 and 2018, with prices for office buildings increased by approximately 14.0% during the same period. The rapid increase in real estate prices has driven developers, especially developers from the mainland, to increase their investments into Hong Kong’s real estate market, which has thus spurred on continued growth within the building construction works industry.

Future trends of Hong Kong’s building construction works industry

- (i) ***More public sector projects:*** As a result of the announcement and implementation of the plan for the “Ten Major Infrastructure Projects”, Hong Kong’s construction industry experienced a period of rapid growth during the past few years. The Government is likely to continue investing in the construction of infrastructure, creating more opportunities for public sector projects in the industry.
- (ii) ***Increasing number of renovation projects for old buildings:*** As previously stated in the Operation Building Bright 2.0, on the Government initiation, older buildings in Hong Kong require renovation and reconstruction in order to satisfy concerns over both their safety and functionality. These projects are expected to provide Hong Kong’s construction industry with sustained growth moving into the future.
- (iii) ***Continuous adoption of subcontracting:*** It is a common practice in Hong Kong’s construction industry to adopt Subcontracting throughout the operating process for any given construction project. The hiring of subcontractors enables a main contractor to handle more projects at the same time, while also tendering for projects requiring certifications that the main contractor may not have.
- (iv) ***Environmental concerns:*** Due to Hong Kong’s high population density, environmental concerns are always a major issue for all industries. For the construction industry, problems such as noise at the construction site, and construction material waste have aroused the attention of both the Government and leading players within the industry. It is expected that new construction technology, along with a better project management process, will increasingly be adopted by the Hong Kong construction industry in meeting these environmental concerns.

Major challenges of Hong Kong’s building construction works industry

- (i) ***Increasing labor costs:*** Due to the Government’s prohibition on foreign labor inflows, lack of the younger generation workers and the institution of a minimum wage requirement, labor costs within the construction industry have been increasing continuously over the past few years. As a result, the labor shortage problem within Hong Kong’s construction industry has become increasingly more severe. The construction industry is labor-intensive, and thus contractors must come up with a smoother and more cost-efficient operating process if they are to control the rising cost of labor.

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- (ii) **Stricter environmental regulations:** The Environmental Protection Department of Hong Kong has strict environmental regulations, including setting requirements for construction sites in terms of air pollution, noise control, water pollution, and waste disposal. Meanwhile, manufacturing plants are increasingly being targeted as a major pollution source. The Government has therefore taken steps to reclaim the land used by these manufacturing plants in order to rebuild and repurpose these buildings into new public housing units. In the end, the profitability of projects undertaken by construction contractors, especially for projects involving industrial buildings, may be adversely impacted given the extra costs associated with overcoming environmental concerns.
- (iii) **Out-of-date construction techniques:** The out-of-date construction techniques currently used within Hong Kong's construction industry are considered less efficient and less eco-friendly. Thus, the introduction of new techniques and the adoption of a more efficient and eco-friendly operating process combine to produce another major challenge for Hong Kong's construction contractors.

Entry barriers of Hong Kong's building construction works industry

- (i) **Capital requirement:** Access to sufficient capital is the first entry barrier for Hong Kong's construction industry. Most of the payment schedules for construction projects are based on the project's progression, which means that payment is collected after a certain portion of construction work is finished. Thus, solid capital and healthy cash flow are critical for contractors in order to carry out construction work smoothly. In addition, a minimum working capital is also required for contractors when applying for government certifications.
- (ii) **Experienced staff:** An experienced and qualified team of workers and management professionals is important for delivering high-quality construction projects with a high safety standard. However, issues surrounding labor shortages have become increasingly more serious in recent years. Thus, attracting experienced and qualified staff has become a major challenge for new market players in an already competitive industry.
- (iii) **Proven track record:** A proven track record is one of the most important criteria for property developers when choosing main contractors for their construction projects. Contractors need to start with small-scale projects, and then accumulate years of construction experience while maintaining excellent service quality in order to obtain a proven track record, which thus sets up a major challenge for new market entrants.
- (iv) **Qualifications:** Government qualifications are essential for construction contractors if they are to take on public projects, and with experience in serving public work projects also being a plus that private developers' value. However, new market entrants are unable to obtain these qualifications without accumulating a sufficient degree of past experience and a proven track record.

OVERVIEW OF HONG KONG'S RMAA WORKS INDUSTRY

RMAA works is a type of works including repair, maintenance, alterations, and additions works, which involves making minor renovations or alterations to existing properties or buildings without affecting its foundation or structure. These alterations may include repairs, renovations, and maintenance works, such as changing floor tiles, roof tiles and addition of partition walls.

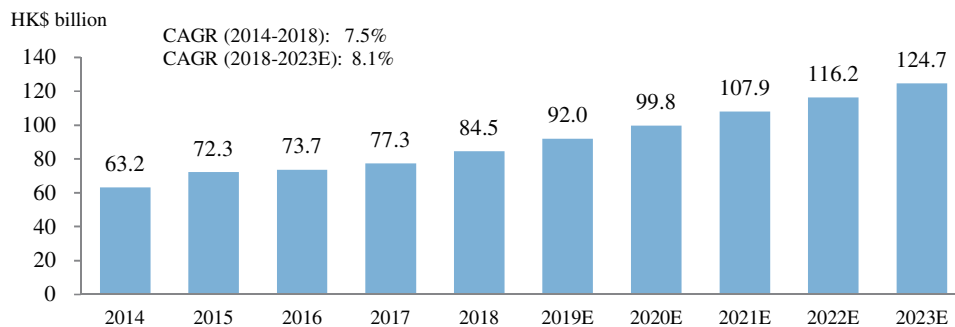
Market size and forecast for Hong Kong's RMAA works industry

The total gross output value of RMAA works in Hong Kong increased from HK\$63.2 billion in 2014 to reach HK\$84.5 billion in 2018, representing a CAGR of 7.5% between 2014 and 2018. RMAA

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works typically includes small-scale construction projects that can be finished by most contractors in Hong Kong. Given that the existing older buildings require RMAA works to renovate and repurpose them for further use, this has become one of the most important areas driving further growth in Hong Kong's RMAA works industry. The total gross output value of RMAA works in Hong Kong is expected to reach HK\$124.7 billion by 2023, representing a CAGR of 8.1% between 2018 and 2023.

Gross output value of RMAA works, Hong Kong, 2014-2023E



Source: Hong Kong Buildings Department, CIC

PRICE ANALYSIS OF HONG KONG'S BUILDING CONSTRUCTION WORKS AND RMAA WORKS INDUSTRIES

Raw material price analysis

Steel reinforcement

Between March 2012 and February 2019, the price of steel reinforcement in Hong Kong decreased from HK\$6,183 per metric tonne to HK\$4,966 per metric tonne. This price drop was mainly caused by an overproduction of steel in the PRC and a weak global demand for steel. However, this price drop for steel reinforcement did not have an obvious impact on construction costs for buildings given that raw material suppliers retain strong negotiating power.

Portland cement

Between March 2012 and February 2019, the price of portland cement (ordinary) in Hong Kong increased slightly from HK\$685 per metric tonne to HK\$728 per metric tonne. The demand for cement within Hong Kong's building construction works industry meanwhile received a boost from the implementation of various government construction plans, including the Ten Major Infrastructure Projects and the public housing plan, with this rising demand helping to push up prices.

Diesel fuel

The price of diesel fuel slightly increased from HK\$2,071 per 200-litre drum in March 2012 to HK\$2,406 per 200-litre drum in February 2019, with a CAGR of 2.2%. This price increase was mainly due to the OPEC (Organization of the Petroleum Exporting Countries)'s supply cuts and healthy demand driven by the economy growth.

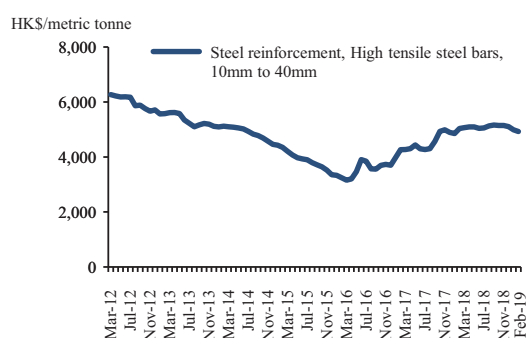
Labor cost analysis

Between 2011 and 2018, the average wage for construction worker in Hong Kong increased from HK\$62.9 per hour to HK\$142.6 per hour. Due to the Government's prohibition on foreign labor inflows and the problem associated with an aging workforce in the building construction works

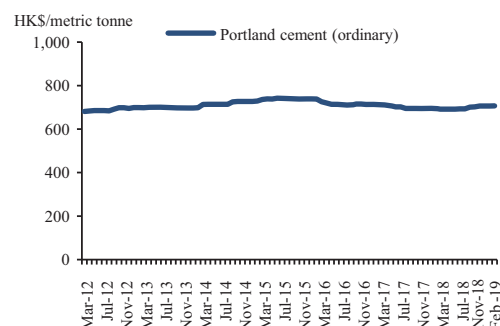
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industry, the shortage of construction workers has become an increasingly serious issue. The relatively low supply of labor in Hong Kong's building construction works industry has been the major factor driving up the wage level of its workers. To address this labor shortage problem, the Government has initiated various measures, including offering new training programs and an increase in the minimum wage. However, given that the number of new construction projects in both the private and public sector in Hong Kong still remain at a high level, the average wage of construction workers in Hong Kong is expected to keep rising during the Forecast Period.

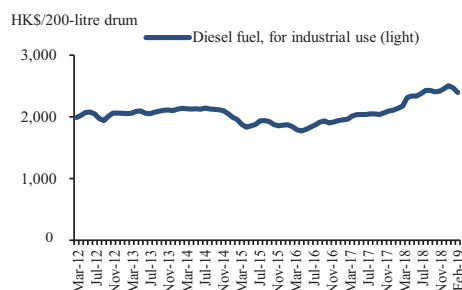
Steel Reinforcement, High tensile steel bars, 10mm to 40mm, Hong Kong, Mar. 2012-Feb. 2019



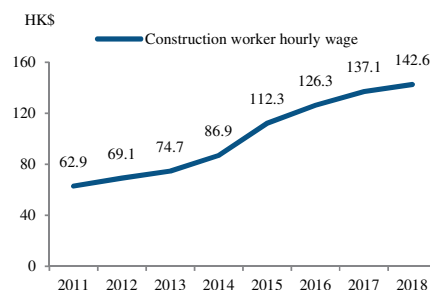
Portland cement (ordinary), Hong Kong, Mar. 2012-Feb. 2019



Diesel fuel, for industrial use (light), Hong Kong, Mar. 2012-Feb. 2019



Average construction worker hourly wage, Hong Kong, 2011-2018



Source: HKC&SD

COMPETITIVE LANDSCAPE OF HONG KONG'S BUILDING CONSTRUCTION AND RMAA WORKS INDUSTRIES

Overview of the competitive landscape of main contractors in Hong Kong's building construction works industry

In order to take public construction works, contractors are required to register at the Development Bureau for government certification. There are three groups of these types of contractors, each meaning different scales of public construction works that the contractors are qualified to carry out. Group A contractors are allowed to tender contracts at a value up to HK\$100 million, Group B contractors are allowed to tender contracts at a value up to HK\$300 million, Group C contractors are allowed to tender contracts at any value exceeding HK\$300 million.

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As at 1 September 2019, there were only 62 approved Group C contractors qualified to undertake public contracts at any value exceeding HK\$300 million, indicating that large-scale main contractors are relatively concentrated in Hong Kong. In 2018, the top five main contractors for building construction projects in Hong Kong received roughly 32.6% share of the total gross output value of building construction works industry that year. In terms of building construction works alone, our Group recorded revenues of HK\$4.7 billion in 2018, with a total market share of approximately 5.2%.

Ranking and market shares of top five main contractor in building construction works industry, Hong Kong, 2018

Ranking	Company	Headquarters location	Major services	Building construction works revenue in 2018 (HK\$ billion)	Market share in 2018	Listed company (Y/N)
1	Company A	Hong Kong	Construction business, project consultancy services, and the supply of heating and electricity	11.9	13.3%	Y
2	Company B	Hong Kong	Public housing construction, interior fitting out and building renovation, and maintenance services	5.7	6.4%	Y
3	Our Group	Hong Kong	Building construction business in both the private and public sectors, and RMAA works	4.7	5.2%	N
4	Company C	Hong Kong	The construction business, civil engineering construction, electrical and mechanical system installation	3.6	4.0%	Y
5	Company D	Hong Kong	Construction and engineering, property investment, property development and operations	3.3	3.7%	Y
	Subtotal			29.2	32.6%	
	Others			60.5	67.4%	
	Total			89.7	100.0%	

Source: CIC

Overview of the competitive landscape of Hong Kong's RMAA works industry

Hong Kong's RMAA works industry is highly fragmented with thousands of construction companies holding the necessary certification under the Buildings Department's Minor Works Contractors List. In 2018, our Group recorded a revenue of approximately HK\$146.0 million in its RMAA works segment, having enjoyed a market share of approximately 0.2% of the total RMAA works industry.

REGULATORY OVERVIEW

This section summarises the principal laws and regulations of Hong Kong which are relevant to our business. As this is a summary, it does not contain detailed analysis of the Hong Kong laws which are relevant to our business.

A. LAWS AND REGULATIONS IN RELATION TO CONSTRUCTION LABOUR, HEALTH AND SAFETY

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

The Construction Workers Registration Ordinance provides, among others, for registration and regulation of construction workers. The principal object of the Construction Workers Registration Ordinance is to establish a system for registration of construction workers and to regulate construction workers who personally carry out construction work on construction site.

Under sections 3(1) and 5 of the Construction Workers Registration Ordinance, the principal contractors/subcontractors/employers/controllers of construction sites are required to employ only registered construction workers to personally carry out construction work on construction sites.

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

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor (including person for the time being having the management or control of the business carried on in such industrial undertaking and also the occupier of any industrial undertaking) of an industrial undertaking to take care of, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking.

A proprietor who contravenes any of its duties under the Factories and Industrial Undertakings Ordinance commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes any of these requirements wilfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months.

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules commits an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

During the Track Record Period, there were certain systemic non-compliance incidents of our Group in connection with the Factories and Industrial Undertakings Ordinance, details of which are set out in the section headed “Business — Material Non-compliances — Systemic non-compliances” in this prospectus.

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

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial. Employers must as far as reasonably practicable ensure the safety and health in their workplaces.

Failure to comply with the above constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

The Commissioner for Labour may also issue an improvement notice against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notices without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months. A further fine of HK\$50,000 per day during which the employer or occupier knowingly and intentionally fails to comply with the suspension notice.

During the Track Record Period, there were certain systemic non-compliance incidents of our Group in connection with the Occupational Safety and Health Ordinance, details of which are set out in the section headed “Business — Material Non-compliances — Systemic non-compliances” in this prospectus.

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

A main contractor shall be subject to the provision on subcontractor’s employees’ wages in the Employment Ordinance. According to section 43C of the Employment Ordinance, a principal contractor, or a principal contractor and every superior subcontractor jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a principal contractor and superior subcontractor (where applicable) shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) to the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from a subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

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Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

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

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

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

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

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

Taking out employees' compensation insurance policies

Pursuant to Section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Under Section 40(1B) of the Employees' Compensation Ordinance, where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of its subcontractor(s) under the Employees' Compensation

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Ordinance and at common law. Where a principal contractor has taken out a policy of insurance under Section 40(1B) of the Employees' Compensation Ordinance, the principal contractor and a subcontractor insured under the policy shall be regarded as having complied with Section 40(1) of the Employees' Compensation Ordinance.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable (i) on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and imprisonment for 2 years, and (ii) on summary conviction to a fine at level 6 and imprisonment for 1 year.

Please refer to the section headed "Business — Insurance" in this prospectus for our insurance coverage in this regard. Please also refer to the section headed "Business — Legal proceedings and claims" in this prospectus for information regarding employees' compensation claims and common law personal injury claims experienced by our Group during the Track Record Period and up to the Latest Practicable Date.

Filing of notifications in relation to work accidents

According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting Form 2 or Form 2B (within 14 days for general work accidents and within seven days for fatal accidents), irrespective of whether the accident gives rise to any liability to pay compensation. If the happening of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of seven and 14 days respectively, then such notice shall be given not later than seven days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

During the Track Record Period, there were certain systemic non-compliance incidents of our Group in connection with late filing of notification of general work accidents under the Employees' Compensation Ordinance, details of which are set out in the section headed "Business — Material Non-compliances — Systemic non-compliances" in this prospectus.

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

Employers are required to enrol their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in a Mandatory Provident Fund ("MPF") scheme within the first 60 days of employment.

For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. Employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014).

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Industry Scheme

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

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

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in these two industries must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction and catering industries.

Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same Industry Scheme. This is convenient for scheme members and saves administrative costs.

B. LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

In undertaking building construction works and RMAA works, our operation may result in: (i) emission of air pollutants; (ii) emission of noise from construction activities; (iii) discharge of effluent from construction activities; and (iv) disposal of construction waste. Therefore, our building construction works and RMAA works are subject to the requirements of the following laws and regulations in relation to the environmental protection.

For information regarding the environmental management system of our Group, please refer to the section headed “Business — Environmental compliance” in this prospectus.

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

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licenses and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to

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minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

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

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

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive piling) in populated areas are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Director of the Environmental Protection Department.

Any person who carries out any construction work except as permitted is liable on first conviction to a fine of HK\$100,000 and on subsequent convictions to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

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

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

All discharges, other than domestic sewage to a communal sewer or drain or unpolluted water to a communal sewer or drain, must be covered by an effluent discharge license. The license specifies the permitted physical, chemical and microbial quality of the effluent. The general guidelines are that the effluent does not damage sewers or pollute inland or inshore marine waters.

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an

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offence and is liable to imprisonment for 6 months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000 and (c) in addition, if the offence is a continuing offence, a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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

The Waste Disposal Ordinance controls the production, storage, collection, treatment, reprocessing, recycling and disposal of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including without limitation the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at designated prescribed facilities and a main contractor who undertakes construction work with a value of HK\$1 million or above will be required, within 21 days after being awarded the contract, to establish a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a license from the Director of the Environmental Protection Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months for the first offence, and to a fine of HK\$500,000 and to imprisonment for 2 years for a second or subsequent offence.

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

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation came into effect on 1 June 2015 to introduce regulatory control on the emission of non-road mobile machinery (the “NRMMs”), including non-road vehicles and regulated machines such as crawler cranes, excavators and air compressors.

Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under the regulation. From 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department pursuant to section 4 of the regulation. Under section 5 of the regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations

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including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements pursuant to section 11 of the regulation. A period of six months (from 1 June 2015 to 30 November 2015, both dates inclusive) is allowed for existing NRMMs to apply for exemption.

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

For details about the compliance status of our NRMMs, please refer to the section headed "Business — Environmental Compliance" in this prospectus.

C. LAWS AND REGULATIONS IN RELATION TO LEVY

Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) ("CICO")

According to section 32 of the CICO, construction industry levy ("CIL") is payable by registered contractors appointed under section 9 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) or any persons who carry out construction operations in Hong Kong to the Construction Industry Council. "Construction operation" is exhaustively defined under Schedule 1 of the CICO, which includes building works and street works as defined in section 2(1) of the Buildings Ordinance, construction, alteration, repair, maintenance, extension, demolition or dismantling, external or internal cleaning and painting or decorating any external or internal surfaces or parts of any buildings, or other temporary or permanent structures forming part of land.

After 2012, the CIL chargeable is 0.5% of the total value of the construction operations (as defined under section 53 of the CICO) concerned (0.4% before 2012). Pursuant to section 32 and Schedule 5 of the CICO, no CIL is chargeable for any construction operations not exceeding HK\$1,000,000.

According to section 34 of the CICO, the contractor and authorised person each are required to inform the Construction Industry Council in a specified form (Form 1) in respect of the construction operations within 14 days after its commencement. It is an offence if a person without reasonable excuse failed to give such notice and liable to a fine at level 1, which is fixed at HK\$2,000. Notice is only required for term contract or if the reasonable estimation of the total value of construction operations exceeds HK\$1,000,000.

Pursuant to section 35 of the CICO, a contractor is required to give a Notice of Payment ("NOP") in a specified form (Form 2) to the Construction Industry Council within 14 days after the contractor receives a payment in respect of the construction operation. It is an offence if a person without reasonable excuse fails to give the NOP and liable to a fine at level 3, which is fixed at HK\$10,000.

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Pursuant to section 36 of the CICO, a contractor is required to give a Notice of Completion (“**NOC**”) in a specified form (Form 3) to the Construction Industry Council within 14 days after the completion of the construction operation. It is an offence if a person without reasonable excuse fails to give the NOC and liable to a fine at level 3, which is fixed at HK\$10,000.

The Construction Industry Council shall assess the CIL payable upon receiving the NOP or NOC and give a Notice of Assessment (“**NOA**”) in writing specifying the amount of CIL. The Construction Industry Council can also make the assessment notwithstanding no NOP or NOC has been given. According to section 41 of the CICO, if a contractor fails to give the NOP or NOC, a surcharge not exceeding twice the amount of the CIL payable may be imposed and a Notice of Surcharge (“**NOS**”) in writing shall be given by the Construction Industry Council.

According to section 46 of the CICO, if the contractor fails to pay in full the amount of levy or surcharge within 28 days after the NOA or NOS is given, a 5% penalty of the unpaid amount shall be imposed. If the contractor still fails to pay the unpaid amount within 3 months after the expiry of 28 days, a further 5% penalty of the unpaid amount shall be imposed. CIL, surcharge, penalty or further penalty is recoverable by the Construction Industry Council as civil debt under the jurisdiction of the District Court.

The time limits for the Construction Industry Council to make the assessment or imposing the surcharge under sections 42 to 45 of the CICO are, whichever is the last of the following periods:

- (a) 2 years after the completion of all construction operations under the contract, or without term contract 2 years after the completion of the construction operations;
- (b) 2 years after the expiry of the period within which the contract stipulates that all such construction operations have to be completed; and
- (c) one year after evidence, sufficient in the opinion of the Construction Industry Council to justify the making of the assessment, comes to its knowledge.

D. LAWS AND REGULATIONS IN RELATION TO CONTRACTOR LICENSING

Registered General Building Contractor and Registered Specialist Contractor

As at the Latest Practicable Date, CR Construction was a Registered General Building Contractor and a Registered Specialist Contractor (under the sub-register of “Site Formation Works” category). For further details, please refer to the section headed “Business — Major qualifications and certifications — Hong Kong qualifications” in this prospectus.

The Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) governs the planning, design and construction of buildings and associated works. Under the current contractor registration system in Hong Kong, a contractor carrying out building works in the private sector must be registered with the Buildings Department either as a Registered General Building Contractor, Registered Specialist Contractor or minor works contractor. The registration of specialist contractors is categorised by

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specialisation in demolition works, foundation works, site formation works, ventilation works and ground investigation field works. Registered General Building Contractors may carry out general building works and street works which do not include any specialised works designated for Registered Specialist Contractors.

Under section 9 of the Buildings Ordinance, a person is required to appoint a Registered General Building Contractor to carry out for him building works (other than specialised works and minor works) and a person is required to appoint a Registered Specialist Contractor to carry out for him specialised works (other than the specialised works designated as minor works) of the category for which the contractor is registered. The Registered General Building Contractor and Registered Specialist Contractor appointed shall be required to, inter alia, provide continuous supervision to the carrying out of the relevant works in accordance with his supervision plan.

Application for registration

Under Section 8B(2) of the Buildings Ordinance, an applicant for registration as a Registered General Building Contractor or Registered Specialist Contractor must satisfy the Building Authority on the following aspects:

- (a) if it is a corporation, the adequacy of its management structure;
- (b) the appropriate experience and qualifications of its personnel;
- (c) its ability to have access to plants and resources; and
- (d) the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

In considering each application, the Building Authority is to have regard to the qualifications, competence and experience of the following key personnel of the applicant:

- (a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, hereinafter referred to as an ‘**Authorised Signatory**’;
- (b) for a corporation — a minimum of one director from the board of directors of the applicant, hereinafter referred to as a ‘**Technical Director**’ who is authorised by the board to:
 - (i) have access to plant and resources;
 - (ii) provide technical and financial support for the execution of building works and street works; and
 - (iii) make decisions for the company and supervise the Authorised Signatory and other personnel

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for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and

- (c) for a corporation which appoints a director who does not possess the required qualification or experience as Technical Director to manage the carrying out of building works and street works — an **‘Other Officer’** authorised by the board of directors to assist the Technical Director.

In addition to the above key personnel, the applicant is also required to demonstrate that it has employed appropriate qualified staff to assist the applicant and the above key personnel to execute, manage and supervise the building works and street works.

For registration as a Registered Specialist Contractor, the applicant must satisfy the Building Authority that it has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category and should also demonstrate that it has the access to engaging qualified persons to carry out the relevant specialised duties.

The Building Authority imposes specific requirements on the directors of a contractor and the person appointed by the contractor to act for it for the purposes of the Buildings Ordinance.

Renewal of registration

Renewal is required every three years. Under Section 8C(2)(c) of the Buildings Ordinance, a registered contractor should apply to the Buildings Department for renewal of registration not earlier than 4 months and not later than 28 days prior to the date of expiry of the registration. Application for renewal of registration received by the Buildings Department outside the specified time limit under Section 8C(2)(c) will not be accepted.

Generally, an application for renewal of registration would not be referred to the Contractors Registration Committees, independent bodies appointed by the Buildings Department under Section 8 of the Buildings Ordinance for interview and assessment, except in the following circumstances:

- (a) the contractor has been inactive in relevant building works in the past registration period (i.e. without a job reference on a minimum of one relevant building project); or
- (b) there have been new incidents or circumstances that require further consideration on the sustainability of the contractor’s registration. New incidents or circumstances include, but not limited to, the contractor’s conviction/disciplinary/suspension records and subject to the following approach adopted by the Buildings Department in relation to labour safety, public health and environmental offences and records of suspension from tendering by the Development Bureau, the Housing Authority or their related departments in determining if a contractor is required to attend an interview:
 - (i) a contractor who has been convicted or disciplined under the Buildings Ordinance is required to attend an interview;

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- (ii) a contractor who has been convicted of a serious labour safety offence (such as an offence which involves a fatal incident or amputation of limb), is required to attend an interview;
- (iii) a contractor who has been convicted of 7 or more labour safety offences committed within a rolling 6 months is required to attend an interview;
- (iv) a contractor who has been convicted of 4 or more offences under Section 27(3) of the Public Health and Municipal Services Ordinance committed on the same site within a rolling 3 months is required to attend an interview;
- (v) a contractor who has been convicted of 4 or more environmental offence on the same site within a rolling 3 months will be required to attend an interview; and
- (vi) for a contractor who has been suspended from tendering by the Development Bureau, the Housing Authority or their related departments, the Buildings Department will consider the reasons of suspension. Generally, only factors which infer deficiencies of the contractors in technical competence or management ability, and factors related to standard of works, misconduct and site safety will be taken into consideration.

The registration of a contractor will continue to be in force if he makes an application for renewal within the time limit and pays the renewal fee until his application for renewal is finalised by the Buildings Department.

Regulatory actions by the Buildings Department

Under sections 13 and 40 of the Buildings Ordinance, a Registered General Building Contractor or Registered Specialist Contractor will be subject to prosecution or disciplinary action where an offence is committed or when matters justifying the taking of disciplinary action arise, as discussed in the following paragraphs.

Pursuant to sections 13 of the Buildings Ordinance, the matters justifying the taking of disciplinary action include, amongst others, being convicted by any court of an offence related to carrying out his professional duties, being negligent or having misconducted himself in a professional way, having permitted a material deviation from a supervision plan for which he is responsible without reasonable cause and having drawn up a supervision plan that does not comply with the material requirements of the Buildings Ordinance, etc.

The disciplinary board may, amongst others, order that the name of such person or the name of the director, officer or person (in the case of a Registered General Building Contractor or Registered Specialist Contractor) be removed from the relevant register, either permanently or for such period as the disciplinary board thinks fit; or order such person or the director, officer or person (in the case of a Registered General Building Contractor or Registered Specialist Contractor) be fined.

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Prosecutions under the Buildings Ordinance

In addition to disciplinary proceedings, a Registered General Building Contractor or Registered Specialist Contractor, pursuant to section 40 of the Buildings Ordinance, will be subject to prosecution where an offence is committed. Set out below are some of the offences under section 40 of the Buildings Ordinance:

Pursuant to section 40(2A) of the Buildings Ordinance, a Registered General Building Contractor or Registered Specialist Contractor directly concerned with any prescribed inspection or building works or street works shall not:

- (a) permit or authorise to be incorporated in or used in the carrying out of any such inspection or works any materials which are defective or do not comply with the provisions of the Buildings Ordinance; or any materials which have not been mixed, prepared, applied, used, erected, constructed, placed or fixed in the manner required for such materials under the Buildings Ordinance;
- (b) diverge or deviate in any material way from any work shown in a plan approved by the Building Authority under the Buildings Ordinance;
- (c) diverge or deviate in any material way from any works shown in a plan relating to minor works that is required to be submitted to the Building Authority under the simplified requirements; or
- (d) knowingly misrepresent a material fact in any plan, certificate, form, report, notice or other document given to the Building Authority under the Buildings Ordinance.

Failure to comply with any of the above provisions constitutes an offence and they are liable on conviction (a) in the case of a prescribed inspection (other than a prescribed inspection in respect of a window in a building) or building works (other than minor works) or street works, to a fine of HK\$1,000,000 and to imprisonment for 3 years; or (b) in the case of a prescribed inspection in respect of a window in a building or minor works, to a fine of HK\$500,000 and to imprisonment for 18 months.

Approved Contractors for Public Works of WBDB

As at the Latest Practicable Date, CR Construction was (i) an Approved Contractor for Public Works under Group C of the buildings category and Group A (probationary) of the roads and drainage category; and (ii) an Approved Supplier of Materials and Specialist Contractor for Public Works under Group I of the turn-key interior design and fitting-out works category. For further details, please refer to the section headed “Business — Major qualifications and certifications — Hong Kong qualifications” in this prospectus.

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In order to tender for Government contracts, a contractor must be accepted on the List of Approved Contractors for Public Works maintained by WBDB. Although approvals granted by WBDB are not required to be renewed annually, audited accounts of the approved contractors are submitted to WBDB annually (in addition, a Group C contractor is also required to submit half-yearly management accounts), and may be produced to relevant Government works departments prior to the contract award in order to review the financial position of the approved contractors to ensure that they meet the capital requirements as set out by WBDB. If any approved contractor fails to meet the capital requirements in a particular category, it will not be eligible for tendering or awarding any contract in that category. In the event the approved contractor fails to submit the accounts or rectify any shortfall in the required capital requirements within the prescribed period, regulatory actions, such as suspension of tendering, may be taken by WBDB against such approved contractor.

The List of Approved Contractors for Public Works is divided into five categories, namely, roads and drainage, port works, waterworks, buildings, and site formation. Generally, there are three groups in each of the works categories (arranged in ascending order), namely Group A (except that there are no Group in port works and site formation categories), Group B and Group C, with the highest rank being Group C. Each group has its particular tendering limits.

Admission status of an approved contractor

Other than in the most exceptional circumstances, a contractor will be admitted initially on probation in the appropriate works category and group. A contractor may apply for “confirmed” status after the satisfactory completion of works appropriate to its probationary status. For instance, it requires satisfactory completion of a certain number of Government works contracts within a certain period. It also requires the contracts to be of value over certain amounts, covering a certain range of the works trades, or of considerable scope and complexity. Confirmation will also be subject to the contractor being able to meet the financial criteria applicable to confirmed status, having the appropriate technical and management capabilities and in all other ways being considered suitable for confirmation. The requirement on the number of Government works contracts, the value of the contracts, financial criteria and other criteria varies depending on different group category of contractors being applied for. “Confirmed” contractors may apply to be elevated to a higher group, which is subject to similar but more stringent criteria/requirements than that described above.

The following table sets out the value of works for which contractors in the respective categories and statuses may tender:

Category	Authorised contract value
Group A	Contracts of value up to HK\$100 million
Group B	Contracts of value up to HK\$300 million
Group C	Contracts of any values exceeding HK\$300 million

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Requirements for retention as an approved contractor

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

Group/Status	Minimum employed capital	Minimum working capital	Minimum technical and management criteria/other requirements
Group C — Approved Contractors for Public Works — Buildings Category	HK\$20 million plus HK\$2 million for every \$100 million of annualised outstanding works or part thereof above \$1,010 million ¹	HK\$20 million or 8% on the first \$1,010 million of annualised outstanding works and 10% on remainder, whichever is higher	<p>Top management</p> <p>At least one member of the resident top management shall have a minimum experience of five years, out of which three years shall be local experience, in managing a construction firm obtained in the past eight years.</p> <p>Technical staff</p> <p>At least two persons with a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate working experience, out of which three years shall be local working experience, in building works</p>
Group A (probationary) — Approved Contractors for Public Works — Roads and Drainage Category	HK\$2.2 million plus HK\$1.2 million for every HK\$12 million of annualised outstanding works or part thereof above HK\$22 million, subject to a maximum of \$4.6 million	HK\$2.2 million or 15% on annualised outstanding works, whichever is higher	<p>Top management</p> <p>At least one member of the resident top management shall have a minimum of one year local experience in managing a construction firm obtained in the past three years.</p> <p>Technical staff</p> <p>At least one person with one or more of the following qualifications:</p> <p>(i) Higher Certificate in Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and one year local working experience in the relevant category of works; or</p>

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Group/Status	Minimum employed capital	Minimum working capital	Minimum technical and management criteria/other requirements
			(ii) Ordinary Certificate in Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and two years local working experience in the relevant category of works; or (iii) At least ten years local working experience in the relevant category of works.
Group I — Approved Suppliers of Materials and Specialist Contractors for Public Works — Turn-key Interior Design and Fitting-out Works Category	HK\$14.8 million	HK\$14.8 million	Nil

Notes:

- (1) The issued and paid up capital and shareholders' funds should both meet the level of minimum employed capital applicable to a contractor's highest group and status.
- (2) The annualised outstanding works for retention purpose is defined as the combined annual value of uncompleted works on public works contracts, Housing Authority contracts and contracts with the private sector on a world-wide basis.
- (3) Top management shall be the president, chairman, director, managing director, executive director, or general manager etc.
- (4) The top management and the technical staff must be two individual persons

Regulatory actions against approved contractors by WBDB

WBDB may take regulatory actions against contractors for failure to meet the financial criteria within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, and poor environmental performance, court convictions such as contravention of site safety legislation and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and employment of illegal works etc.

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Regulatory actions include removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period), downgrading (which includes downgrading or demoting the contractor's qualification to a lower status or class in all or any specified category), depending on the seriousness of the incident triggering the regulatory actions.

Approved contractor of the Housing Authority

As at the Latest Practicable Date, CR Construction was an approved contractor of the Housing Authority under Group M2 (probationary) of the maintenance works category and Group NW2 (probationary) of the new works category. For further details, please refer to the section headed "Business — Major qualifications and certifications — Hong Kong qualifications" in this prospectus.

The Housing Authority prescribes its own requirements for approved contractors to tender for its works. In order to tender for Housing Authority construction projects, a contractor must be on the Housing Authority list of building contractors under the categories of either new works or maintenance works. A contractor must be registered as registered general building contractor under the Buildings Ordinance, obtain certain certificates with respect to its own category and are subject to certain capital requirements, proven relevant work record, management and personnel requirements.

The following table sets out the scope and value of works for which approved contractors listed in the maintenance works category of building contractors (Group M2 license) and new works category of building contractors (Group NW2 license) in the Housing Authority may tender:

Category	Authorised contract value/type
Building Contractor — Maintenance Works Category — Group M2 (probationary)	Restricted to undertake not more than three Group M2 direct contracts at any one time
Building Contractor — Maintenance Works Category — Group M2 (confirmed)	Contractors are eligible to tender for maintenance and improvement contracts of unlimited value
Building Contractor — New Works Category — Group NW2 (probationary)	Restricted to undertake not more than one Group NW2 direct contract at any one time
Building Contractor — New Works Category — Group NW2 (confirmed)	Contractors are eligible to tender for maintenance and improvement contracts of unlimited value

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Application for Registration

To be included in Group M2 under the Maintenance Works Category and Group NW2 under the New Works Category in the List of Building Contractors, a contractor must, among others:

- (i) possess the statutory registration as a Registered General Building Contractor under the Buildings Ordinance;
- (ii) for the maintenance works category, hold ISO 9001, ISO 14001 and OHSAS 18001 certificates to carry out buildings activities to keep, restore and improve the facilities of buildings and surroundings, or alternatively for the new works category, hold ISO 9001, ISO 14001, ISO 50001 and OHSAS 18001 certificates to carry out the construction of building works; and
- (iii) satisfy stringent requirements prescribed by the Housing Authority in relation to employed and working capital, past work record in relevant building contracts, management and on-site personnel and financial position.

Subject to being able to meet other requirements such as capital requirements, probationary contractors may apply for confirmed status in a category on satisfactory completion of one contract at its respective group awarded after inclusion in that particular group, or after commencement of a contract and at the expiry of the relevant probationary periods set out below. Such contract has to be awarded after the contractor was included in that group and be a contract of the group.

Category	Probationary period
Building Contractor — Maintenance Works Category — Group M2	12 months
Building Contractor — New Works Category — Group NW2	24 months

The following table sets out the capital requirements for which approved contractors listed in the maintenance works category of building contractors (Group M2 license) and new works category of building contractors (Group NW2 license) in the Housing Authority shall satisfy:

Category	Working Capital Required	Employed Capital Required
Building Contractor — Maintenance Works Category — Group M2 (probationary)	HK\$4.9 million OR 10% of outstanding works, whichever is higher	HK\$4.9 million plus HK\$2.9 million for every HK\$43 million of outstanding works or part thereof above HK\$73 million (subject to a maximum of HK\$10.6 million); OR 10% of total assets, whichever is higher

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Category	Working Capital Required	Employed Capital Required
	If total value of outstanding works reaches HK\$148 million or above, then the following criteria will apply:	
	HK\$14.8 million	HK\$14.8 million plus HK\$2 million for every HK\$100 million of outstanding works or part thereof above HK\$950 million;
	OR	OR
	8% on first HK\$950 million of outstanding works and 10% on remainder, whichever is higher	10% of total assets, whichever is higher
Building Contractor — Maintenance Works Category — Group M2 (confirmed)	HK\$10.1 million	HK\$10.1 million plus HK\$5.8 million for every HK\$86 million of outstanding works or part thereof above HK\$150 million (subject to a maximum of HK\$21.7 million);
	OR	OR
	10% of outstanding works, whichever is higher	10% of total assets, whichever is higher
	If total value of outstanding works reaches HK\$188 million or above, then the following criteria will apply:	
	HK\$18.8 million	HK\$18.8 million plus HK\$2 million for every HK\$100 million of outstanding works or part thereof above HK\$950 million;
	OR	OR
	8% on first HK\$950 million of outstanding works and 10% on remainder, whichever is higher	10% of total assets, whichever is higher
Building Contractor — New Works Category — Group NW2 (probationary)	HK\$14.8 million	HK\$14.8 million plus HK\$2 million for every HK\$100 million of outstanding works or part thereof above HK\$950 million;
	OR	OR
	8% on first HK\$950 million of outstanding works and 10% on remainder, whichever is higher	10% of total assets, whichever is higher

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Category	Working Capital Required	Employed Capital Required
Building Contractor — New Works	HK\$18.8 million	HK\$18.8 million plus HK\$2 million for every HK\$100 million of outstanding works or part thereof above HK\$950 million;
Category — Group NW2 (confirmed)	OR 8% on first HK\$950 million of outstanding works and 10% on remainder, whichever is higher	OR 10% of total assets, whichever is higher

Notes:

- (1) Outstanding works represent the annualised value of outstanding works (including Housing Authority, Government and private sector contracts on a worldwide basis) and any tenders under consideration.
- (2) The issued and paid-up capital and shareholders' funds should both meet the level of minimum employed capital applicable to its highest group and status.
- (3) The effective dates of the revised financial capital requirements are:
 - For list admission (including promotion, confirmation and change of name) — application on or after 16 October 2014;
 - For tendering — tender issued on or after 16 October 2014; and
 - For list retention — 1 December 2014 (i.e. all management accounts or audited accounts with accounting periods ending on or after 1 December 2014).

Requirements for retention as an approved contractor

Each year the Housing Authority requests the approved contractor to submit certain documents to show satisfactory compliance with the requirements stated in the “Guide to Registration of Works Contractors and Property Management Services Providers” published by the Housing Authority and to pay the annual fee.

Regulatory actions by the Housing Authority

An approved contractor will be subject to relevant regulatory actions by the Housing Authority for failing to submit the said documents or to pay the annual renewal fee such as:

- (i) removal from the List of Building Contractors;
- (ii) suspension from tendering, meaning tender documents will not be issued to the contractor or where the contractor has submitted a tender, the tender will not be considered within the suspension period;

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- (iii) restriction from tendering within a prescribed period;
- (iv) downgrading;
- (v) removal or suspension from specific league or status; and
- (vi) probationary period being extended.

E. SECURITY OF PAYMENT LEGISLATION FOR THE CONSTRUCTION INDUSTRY (THE “SOPL”)

The Government has consulted the public on the proposed introduction of the SOPL to address unfair payment terms, payment delays and disputes. The rationale behind the new legislation is to improve payment practice and enable rapid dispute resolution in the construction industry.

Based on the consultation document of the SOPL, when it comes into force, the SOPL will apply to all written and oral contracts where construction works or plant and materials are being supplied for works in Hong Kong. All construction contracts of the Government and specified statutory and/or public bodies and corporations (the “**Government Projects**”) will be caught by the legislation, whereas construction contracts other than the Government Projects (the “**Non-government Projects**”) with an original value in excess of HK\$5 million and consultancy and supply contracts with an original value in excess of HK\$0.5 million relating to a “new building” (as defined by the Buildings Ordinance) will be caught by the legislation. Where the SOPL applies to the main contract, it will automatically apply to all subcontracts in the contractual chain.

Based on the consultation document of the SOPL, the SOPL will include the following key obligations, rights and limits:

- The SOPL will prohibit “pay when paid” and similar clauses in contracts. Payers will not be able to rely on such clauses in dispute resolution forums.
- The SOPL will prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments.
- The SOPL will enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication for decision (typically a 60-day process).
- The SOPL will give parties who have not been paid amounts admitted as due the right to suspend or reduce the rate or progress of work until payment is made.

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Possible impact on our Group

When the SOPL comes into force, it will apply to our projects which fall within the categories of the Government Projects and Non-government Projects, as well as the related subcontracts in the contractual chain. As advised by our Legal Counsel, the term “pay when paid” and similar clauses in contracts between our Group and our subcontractors that fall within the envisaged scope of the SOPL as set out above will highly likely contravene the SOPL and will highly likely become void when the SOPL comes into force. In practice, our Group generally makes payment within 30 days after receiving “interim payment application” or “final payment application” from our subcontractors. Therefore, our Directors do not anticipate that the impact of the SOPL, if any, on our Group’s liquidity and operations, would be material when the SOPL comes into force. In any event, our Directors will ensure that terms of our contracts comply with the legislation in this regard.

HISTORY, REORGANISATION AND GROUP STRUCTURE

OUR GROUP STRUCTURE AND HISTORY

Overview

The history of our Group can be traced back to June 1967 when seven founders, being independent third parties, established CR Construction, our principal operating subsidiary, for carrying out construction business in Hong Kong. With over 50 years of experience, CR Construction principally acts as a main contractor of building construction and RMAA works projects in both public and private sectors in Hong Kong.

In 1986, the entire issued share capital of CR Construction was acquired by an independent private company in Hong Kong which was subsequently acquired by an independent state-owned conglomerate in 1992. The principal businesses of the state-owned conglomerate include consumer products, power, real estate, cement, gas, pharmaceuticals and finance. Eyeing on the opportunity to swiftly penetrate the Hong Kong construction market, on 7 January 2014, Zhejiang Construction HK acquired the entire issued share capital of CR Construction from the state-owned conglomerate.

Our Company was incorporated in the Cayman Islands on 20 July 2017. Upon completion of the Reorganisation, our Company became the holding company of our Group on 9 February 2018. CR Development is the intermediate holding company of our Group whereas CR Construction, Mount Land and CR Construction Macau are the indirect wholly-owned subsidiaries of our Company. CR-WWW JV, CR-SFK JV, CR-DDL JV and CS-CR JV are indirect unincorporated joint ventures, the interests of which are attributable to CR Construction as to 100%, 100%, 70% and 50%, respectively.

Major milestones

The following are the major developments and milestones of our Group to date:

1967	Incorporation of CR Construction.
1978	CR Construction was registered as a contractor on the “List of Approved Contractors for Public Works — Building Category (Group C)” of WBDB in October 1978.
1986	CR Construction was acquired by a private company which was subsequently acquired by a state-owned conglomerate in 1992.
1987	Incorporation of Mount Land.
1990	CR Construction was registered as a building contractor in “New Works Category — Group NW1 (Probationary)” of the Housing Authority in March 1990.
1992	CR Construction was registered as a contractor on the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works — Turn-key Interior Design and Fitting-out Works (Group I)” of WBDB in March 1992.
1993	CR Construction obtained ISO 9001:2008 certification in June 1993.

HISTORY, REORGANISATION AND GROUP STRUCTURE

- 1999 CR Construction was registered under the Buildings Ordinance as a general building contractor of the Buildings Department in October 1999.
- 2000 CR Construction was promoted from a building contractor in “New Works Category — Group NW1 (Probationary)” to “New Works Category — Group NW2 (Probationary)” of the Housing Authority in January 2000.
- CR Construction was registered under the Buildings Ordinance as a specialist contractor in the “site formation works” category of the Buildings Department in April 2000.
- 2004 CR Construction obtained ISO 14001:2004 certification in July 2004.
- 2005 CR Construction obtained OHSAS 18001:2007 certification in July 2005.
- 2006 Incorporation of CR Construction Macau.
- CR Construction Macau was registered as a contractor under the Lands, Public Work and Transport Bureau of the Macau SAR Government in March 2006.
- 2009 CR Construction was registered as a contractor on the “List of Approved Contractors for Public Works — Roads and Drainage Category (Group A on probation)” of WBDB in May 2009.
- 2014 Zhejiang Construction HK acquired CR Construction from the state-owned conglomerate in January 2014 to further expand its construction business.
- CR Construction obtained ISO 50001:2011 certification in December 2014.
- 2015 CR Construction was registered as a building contractor in “Maintenance Works Category — Group M2 (Probationary)” of the Housing Authority in November 2015.

Our subsidiaries and joint ventures

CR Construction

CR Construction was incorporated in Hong Kong with limited liability on 13 June 1967. CR Construction is our principal operating subsidiary and is principally engaged as a main contractor of building construction works and RMAA works projects in both public and private sectors in Hong Kong.

Pursuant to a share sale and purchase agreement dated 5 November 2013, on 7 January 2014, Zhejiang Construction HK acquired 1,694,999 shares and one share of CR Construction (collectively representing the entire issued share capital of CR Construction) from two independent third parties, respectively, at a total consideration of approximately HK\$384.9 million. The consideration was determined by the parties with reference to an independent valuation and was fully settled on 5 January 2015. After the aforesaid transfers, CR Construction became wholly-owned by Zhejiang Construction HK.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Mount Land

Mount Land was incorporated in Hong Kong with limited liability on 3 February 1987. Mount Land is wholly-owned by CR Construction and is our operating subsidiary which is principally engaged in building construction business in Hong Kong.

CR Construction Macau

CR Construction Macau was incorporated in Macau with limited liability on 8 February 2006. CR Construction Macau is our operating subsidiary which is principally engaged in building construction business in Macau.

Pursuant to a share sale and purchase agreement dated 5 November 2013, CR Construction and Mount Land acquired two shares of CR Construction Macau (representing 96% and 4% of the issued share capital of CR Construction Macau, respectively) from two independent third parties, respectively at an aggregate consideration of approximately HK\$8.0 million (equivalent to approximately MOP\$8.2 million) on 7 January 2014. The considerations of the above transfers were determined by the parties with reference to an independent valuation and were fully settled on 7 January 2014. After the aforesaid transfers, CR Construction Macau was owned as to 96% by CR Construction and as to 4% by Mount Land.

CR Development

CR Development was incorporated in the BVI with limited liability on 26 May 2017. CR Development is an investment holding company with no business operation.

CR-WWW JV

In October 2012, CR Construction and Win Win Way, a company being an independent third party, entered into an agreement (the “**CR-WWW JV Agreement**”) to establish CR-WWW JV, an unincorporated joint venture, to undertake a construction and civil engineering contract in Hong Kong. Win Win Way is a wholly-owned subsidiary of Win Win Way Construction Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 994). CR-WWW JV was registered to commence its business in Hong Kong on 31 October 2012.

Pursuant to the CR-WWW JV Agreement, among other provisions (i) CR Construction shall take up full responsibility and liabilities of execution of the contract as if CR Construction alone is the main contractor of the contract; (ii) CR Construction shall be entitled to receive all payments made by the employer under the contract to CR-WWW JV; (iii) Win Win Way shall be entitled to a management fee for general administration of the contract as provided under the CR-WWW JV Agreement after CR Construction received payments from the employer under the contract; and (iv) the management fee provided to Win Win Way under the CR-WWW JV Agreement shall be the total entitlement of Win Win Way under the CR-WWW JV Agreement and the contract and any profit or loss under the contract shall be to the account of CR Construction.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Pursuant to the CR-WWW JV Agreement, the executive body within the CR-WWW JV shall be supervised by a board comprising two representatives of CR Construction. The board of the CR-WWW JV shall exercise overall control of the operation of the CR-WWW JV and its performance and the representatives of the board shall work together in order to reach decisions, which shall be binding on CR Construction and Win Win Way.

The CR-WWW JV Agreement shall terminate upon (i) the award of the contract to a third party by the employer; and (ii) by mutual consent between CR Construction and Win Win Way, whichever first occurs.

CS-CR JV

In December 2003, CR Construction and China State, a company being an independent third party, entered into an agreement (the “**CS-CR JV Agreement**”) to establish CS-CR JV, an unincorporated joint venture to undertake a construction and civil engineering contract in Hong Kong. China State is a wholly-owned subsidiary of China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 3311). CS-CR JV was registered to commence its business in Hong Kong on 18 December 2003.

The CS-CR JV Agreement shall terminate upon (i) the CS-CR JV has been awarded and has performed the contract and all the rights and obligations thereunder and the CS-CR JV Agreement have been finally exercised and discharged, including without limitation, liabilities for defects and liabilities under the contract and all accounts between the employer and the CS-CR JV are finally settled and all bonds and guarantees are returned; (ii) the board exercising overall control and administration of the CS-CR JV (the “**Management Board**”) resolves unanimously to wind up the CS-CR JV upon the final settlement and agreement of the banking account or accounts opened by the CS-CR JV; and (iii) all amounts due to CR Construction and China State under the contract have been paid and all liabilities thereunder or in connection therewith and under the CS-CR JV Agreement have been discharged but without prejudice to the right of any party to the CS-CR JV to claim against the other party in respect of any antecedent breach of the terms thereof, whichever first occurs.

Pursuant to the CS-CR JV Agreement, the respective financial interests of the CS-CR JV is owned as to 50% by CR Construction and as to 50% by China State and all rights, interests, assets (including all properties and equipment acquired jointly), liabilities, obligations and risks arising out of the CS-CR JV Agreement or the contract and all profits and losses arising out of the joint performance of the works under the contract shall be shared or borne by each of CR Construction and China State according to such proportion.

Pursuant to the CS-CR JV Agreement, among other provisions, the executive bodies of the CS-CR JV shall include (i) the Management Board; (ii) China State, being the sponsor company appointed to undertake the general co-ordination and administration of the CS-CR JV; and (iii) the senior project manager nominated by China State and appointed by the Management Board. The overall control and administration of the CS-CR JV shall be exercised and directed by the Management Board, which shall be the highest authority of the CS-CR JV. The Management Board shall comprise six members, being three representatives from each of CR Construction and China State. The chairman

HISTORY, REORGANISATION AND GROUP STRUCTURE

of the Management Board shall be nominated by China State. In the event of a deadlock at a meeting of the Management Board, the chairman shall not have a casting vote. Each representative or alternate of CR Construction and China State shall have one vote at the meetings of the Management Board. Decisions of the Management Board shall be unanimous. If unanimous agreement cannot be reached by the Management Board on any matter then such matter shall be referred to the chief executive or other designated director of each of CR Construction and China State, who is neither a member nor alternate member of the Management Board nor directly involved in the control, management or supervision of the business of the CS-CR JV, for a decision. Such decision shall be given in writing within 15 days of such referral, due regard being taken of the urgency of the situation. If, despite such referral procedure, a unanimous decision still cannot be reached or if the chief executive or other designated director of either CR Construction or China State fails to give written decision within 15 days of the referral to him, then the chairman of the Management Board shall have the right to take a decision where it is urgently required for the progress or safety of the works, subject always to the rights of the other party to refer the matter to mediation or, subsequently, arbitration pursuant to the CS-CR JV Agreement.

As a result of certain construction quality issues associated with Hung Hom Station, To Kwa Wan Station and Exhibition Centre Station under the Shatin to Central Link Project implemented by the MTR Corporation Limited, China State, among other contractors, was suspended from tendering for public works falling under the categories of Group C — buildings and Group C — roads and drainage for a period of three months with effect from 8 October 2018.

Our Directors are of the view that the suspension imposed on China State has no material impact on our business operation and financial performance given that (i) our business operation with China State through CS-CR JV had been completed prior to the commencement of the Track Record Period; (ii) CS-CR JV did not have any projects on hand and had remained inactive throughout the Track Record Period and up to the Latest Practicable Date; and (iii) any future cooperation between our Group and China State whether through CS-CR JV, other joint ventures or other forms of business operation will be conducted after the expiry of the suspension imposed on China State.

CR-DDL JV

In March 2019, CR Construction and Deson Company entered into an agreement (the “**CR-DDL JV Agreement**”) to establish CR-DDL JV, an unincorporated joint venture to undertake a construction contract in Hong Kong. Deson Company is an associate of Deson Holdings. As both parties needed more time to finalise the detailed terms of the CR-DDL JV Agreement, CR-DDL JV was first registered to commence business on 19 November 2018 before the CR-DDL JV Agreement was entered into.

Pursuant to the CR-DDL JV Agreement, among other provisions (i) CR Construction and Deson Company are jointly and severally liable to the employer to discharge, observe, perform and comply with all the obligations under the construction contract and shall commence and complete the construction project according to the construction contract within the time so specified or within the

HISTORY, REORGANISATION AND GROUP STRUCTURE

extended period; (ii) CR Construction and Deson Company shall combine their resources to form CR-DDL JV with respective shareholding of 70% and 30%; and (iii) CR Construction is appointed as the leader of CR-DDL JV and its appointment shall commence from the date of the CR-DDL JV Agreement and for so long as the CR-DDL JV Agreement remains in force.

Pursuant to the CR-DDL JV Agreement, the execution body within CR-DDL JV shall be the management board comprising two representatives nominated by CR Construction and two representatives nominated by Deson Company. Any single board representative of CR-DDL JV can convene a meeting of the board of CR-DDL JV. The board of CR-DDL JV shall exercise overall control of the operation of CR-DDL JV and its performance. The board representatives of CR-DDL JV shall work together in order to reach decisions which shall be binding on the CR-DDL JV Agreement and the parties therein. Decision shall be made by unanimous decision. In case an unanimous decision cannot be reached, the matter shall be submitted to both the general manager of CR Construction and the director of Deson Company who shall meet together in Hong Kong within 7 days of such submission at the place and time determined by CR Construction, and they shall endeavour to reach a decision in order to resolve the said dispute. Should they still fail to reach an unanimous decision the general manager of CR Construction shall make the casting decision and he shall so instruct the board of CR-DDL JV to issue such resolution and the board of CR-DDL JV shall comply. The said resolution shall be binding on the CR-DDL JV Agreement and the parties therein.

The CR-DDL JV Agreement shall terminate upon (i) the mutual written agreement by both CR Construction and Deson Company; (ii) the termination of the construction contract; or (iii) one party commits certain acts of default in the CR-DDL JV Agreement.

CR-SFK JV

In March 2019, CR Construction and Sun Fook Kong Construction entered into an agreement, as amended by a supplemental agreement entered into in August 2019 (together the “**CR-SFK JV Agreement**”) to establish CR-SFK JV, an unincorporated joint venture to undertake a construction contract in Hong Kong. Sun Fook Kong Construction is a wholly-owned subsidiary of SFK Construction Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1447). CR-SFK JV was registered to commence its business in Hong Kong on 16 July 2019.

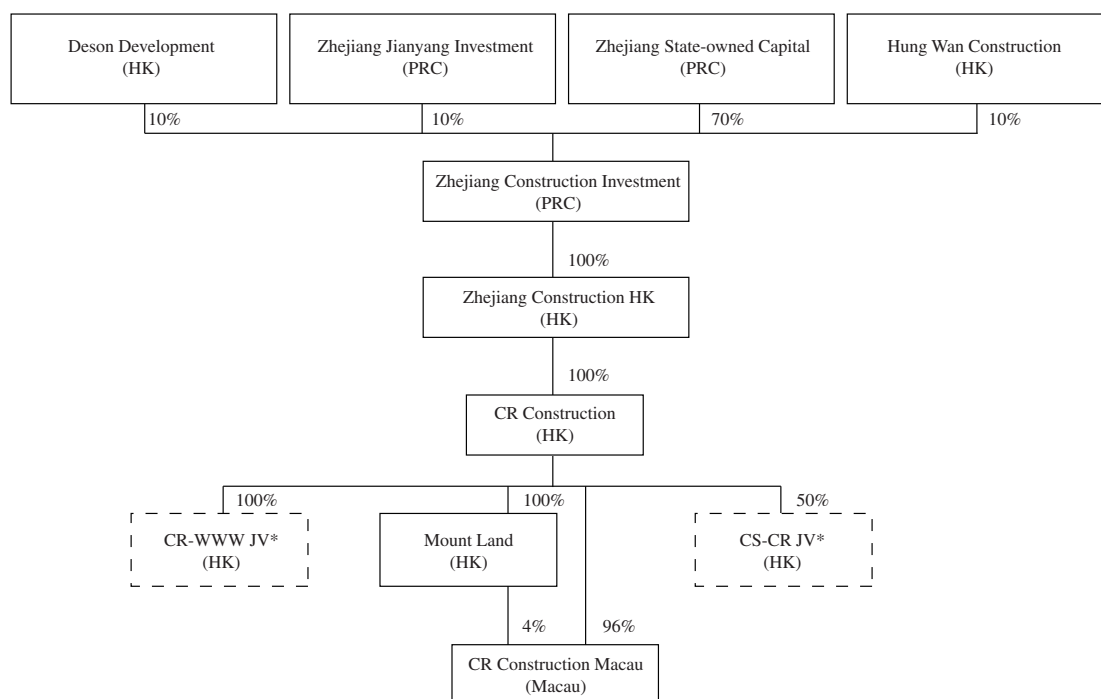
Pursuant to the CR-SFK JV Agreement, among other provisions (i) CR Construction and Sun Fook Kong Construction shall form CR-SFK JV; and (ii) CR-SFK JV shall discharge, observe, perform and comply with all the obligations of CR-SFK JV under the construction contract and the CR-SFK JV Agreement and shall commence and complete the construction project within the time specified in the construction contract or within such extended period or periods as may be granted under the construction contract.

The CR-SFK JV Agreement shall terminate upon (i) the award of the construction contract to a third party by the employer; and (ii) by mutual consent between CR Construction and Sun Fook Kong Construction, whichever first occurs.

HISTORY, REORGANISATION AND GROUP STRUCTURE

REORGANISATION

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



* Represents unincorporated joint venture

Incorporation of CR Investments

CR Investments was incorporated in the BVI with limited liability on 26 May 2017. On 11 July 2017, one fully paid share of CR Investments was allotted and issued to Zhejiang Construction HK. After the aforesaid allotment, CR Investments became wholly-owned by Zhejiang Construction HK.

Incorporation of our Company

Our Company was incorporated in the Cayman Islands with limited liability on 20 July 2017 to act as the holding company of our Group. On its date of incorporation, one fully paid subscriber Share was allotted and issued to the initial subscriber, being an independent third party. On the same day, such subscriber Share was transferred to CR Investments and 999 new fully paid Shares were allotted and issued to CR Investments.

Incorporation of CR Development

CR Development was incorporated in the BVI with limited liability on 26 May 2017 to act as the intermediate holding company of our Group. On 21 July 2017, one fully paid share of CR Development was allotted and issued to our Company. After the aforesaid allotment, CR Development became wholly-owned by our Company.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Transfer of CR Construction from Zhejiang Construction HK to CR Development

On 9 February 2018, in consideration of Zhejiang Construction HK transferring the entire issued share capital of CR Construction to CR Development, 1,695,000 new fully paid Shares were allotted and issued to CR Investments.

Our Company completed the Reorganisation on 9 February 2018 in preparation for the Listing, pursuant to which our Company became the holding company of our Group comprising CR Construction, Mount Land, CR Construction Macau, CR-WWW JV and CS-CR JV.

As confirmed by our Directors, there were no outstanding options, warrants and/or convertible securities in respect of each member of our Group as at the Latest Practicable Date.

Change in shareholding of Zhejiang Construction Investment

On 29 December 2017, the registered capital of Zhejiang Construction Investment was increased from RMB700 million to RMB960 million upon which (i) China Cinda acquired RMB130 million registered capital at a consideration of RMB908.7 million, which was settled by the amount due from Zhejiang Construction Investment in the same amount, with the remaining RMB778.7 million being counted as equity reserves of Zhejiang Construction Investment; and (ii) ICBC Financial acquired RMB130 million registered capital at a consideration of RMB908.7 million which was settled in cash, with the remaining RMB778.7 million being counted as equity reserves of Zhejiang Construction Investment. Each of above-mentioned consideration was determined by the parties with reference to RMB6.99 per increased registered capital of Zhejiang Construction Investment and was fully settled on 28 December 2017. After the aforesaid acquisition, Zhejiang Construction Investment became owned as to 51.05%, 13.54%, 13.54%, 7.29%, 7.29% and 7.29% by Zhejiang State-owned Capital, China Cinda, ICBC Financial, Deson Development, Zhejiang Jianyang Investment and Hung Wan Construction, respectively.

On 26 February 2019, Zhejiang State-owned Capital transferred 5.10% of registered capital of Zhejiang Construction Investment to Zhejiang Financial Development. After the aforesaid transfer, Zhejiang Construction Investment became owned as to 45.95%, 13.54%, 13.54%, 7.29%, 7.29%, 7.29% and 5.10% by Zhejiang State-owned Capital, China Cinda, ICBC Financial, Deson Development, Zhejiang Jianyang Investment, Hung Wan Construction and Zhejiang Financial Development, respectively.

Change in shareholding of Zhejiang Construction HK

On 10 July 2019, in consideration of Zhejiang Construction Investment transferring the entire issued share capital of Zhejiang Construction HK to Zhejiang Construction BVI, one fully paid share of Zhejiang Construction BVI was allotted and issued to Zhejiang Construction Investment. After the aforesaid transfer and allotment, Zhejiang Construction HK became wholly-owned by Zhejiang Construction BVI.

HISTORY, REORGANISATION AND GROUP STRUCTURE

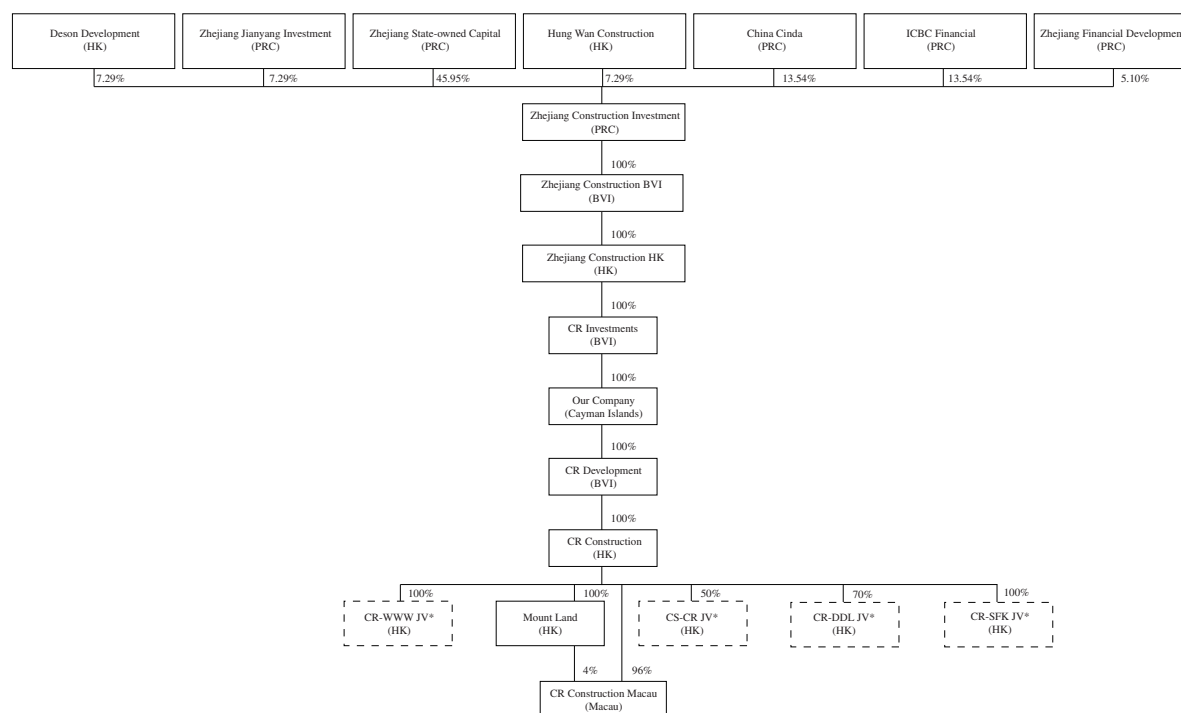
Establishment of CR-DDL JV

In March 2019, CR Construction and Deson Company entered into the CR-DDL JV Agreement to establish CR-DDL JV to undertake a construction contract in Hong Kong. CR-DDL JV was registered to commence its business in Hong Kong on 19 November 2018. For details of CR-DDL JV, please refer to the paragraph headed “Our subsidiaries and joint ventures - CR-DDL JV” in this section.

Establishment of CR-SFK JV

In March and August 2019, CR Construction and Sun Fook Kong Construction entered into the CR-SFK JV Agreement to establish CR-SFK JV to undertake a construction contract in Hong Kong. CR-SFK JV was registered to commence its business in Hong Kong on 16 July 2019. For details of CR-SFK JV, please refer to the paragraph headed “Our subsidiaries and joint ventures — CR-SFK JV” in this section.

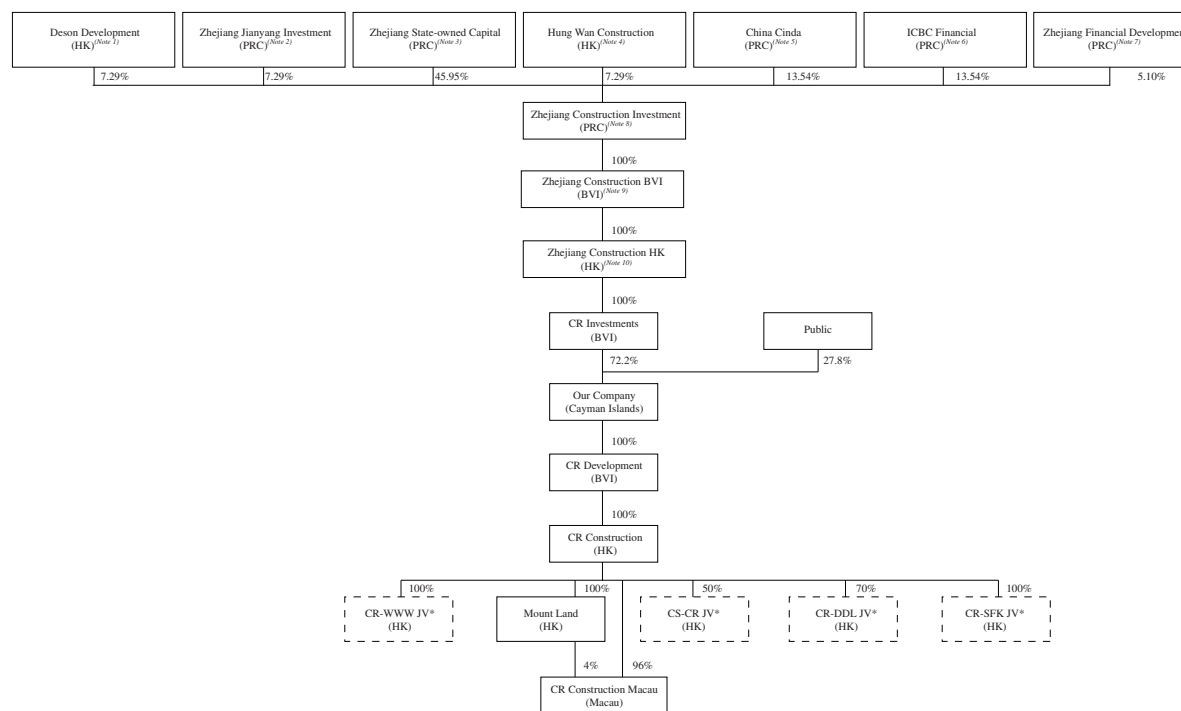
The following chart sets forth our corporate and shareholding structure immediately following completion of the Reorganisation and the above shareholding changes but prior to the completion of the Capitalisation Issue and the Share Offer:



* Represents unincorporated joint venture

HISTORY, REORGANISATION AND GROUP STRUCTURE

The following chart sets forth our corporate and shareholding structure immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme and assuming all the Employee Reserved Shares under the Employee Preferential Offering were allotted and issued to the Eligible Employees other than the Eligible Directors).



* Represents unincorporated joint venture

Notes:

- (1) Deson Development is an investment holding company incorporated in Hong Kong with limited liability on 2 September 2006. Deson Development is ultimately owned by Mr. Chen Huofa, Mr. Wang Jing Ning and Deson Holdings, being independent third parties, as to 80%, 10% and 10%, respectively. Deson Holdings is an exempted company incorporated in Bermuda with limited liability on 20 September 1993, the shares of which are listed on the Stock Exchange (stock code: 262). Deson Holdings is the holding company of a group of companies principally engaged in (i) property development and investment; and (ii) trading of medical equipment and home security and automation products and provision of related installation and maintenance services. Mr. Chen Huofa is a substantial shareholder of Deson Holdings indirectly holding 17.76% of the issued share capital of Deson Holdings while Mr. Wang Jing Ning is an executive director of Deson Holdings. The 10% interests held by Deson Development in Zhejiang Construction Investment is a strategic investment.
- (2) Zhejiang Jianyang Investment is an investment holding company established in the PRC with limited liability on 2 July 2009 and is held by the senior management and other employees of Zhejiang Construction Investment or its group companies, being independent third parties. The establishment of Zhejiang Jianyang Investment was part of the employee incentive scheme implemented by Zhejiang Construction Investment.

HISTORY, REORGANISATION AND GROUP STRUCTURE

- (3) Zhejiang State-owned Capital is a state-owned enterprise established in the PRC with limited liability on 15 February 2007 and is wholly-owned by the ZJSASAC. Zhejiang State-owned Capital is principally engaged in (i) investment advisory services; (ii) asset management; (iii) investment funds management; and (iv) financial information services. Apart from holding indirect interest in our Group, Zhejiang State-owned Capital also holds interests in other entities, the principal businesses of which include (i) asset management and investment management; (ii) financial leasing; (iii) corporate management consultancy; (iv) property leasing advisory; (v) manufacturing and sale of wall materials; (vi) automotive sales; (vii) real estate development; and (viii) provision of electrical mechanical services.
- (4) Hung Wan Construction is a company incorporated in Hong Kong with limited liability on 31 August 1977 being an independent third party. Hung Wan Construction is owned by Tarxen Company Limited, Siyi Company Limited, Winying Limited, Prehope Limited, Mr. Cheung Yu Hon and Joyland Capital Limited, being independent third parties, as to approximately 32.2%, 32.2%, 31.5%, 3.5%, 0.7% and 0.0000026%, respectively. Hung Wan Construction is ultimately owned by Mr. Kwan Chun, Ms. Shum Hang Ying, Mr. Kwan Yau Ming, Mr. Kwan Yau Hang, Mr. Kwan Yau Man, Mr. Kwan Man Wai, Ms. Kwan Shuk Mei, Mr. Cheung Yu Hon, Mr. Cheung Chi Hung, Mr. Tong Chok Ming and Mr. Tong Chok Fi, all being independent third parties, through the above investment holding companies. Hung Wan Construction is principally engaged in building construction in Hong Kong. The 10% interests held by Hung Wan Construction in Zhejiang Construction Investment is a strategic investment.
- (5) China Cinda is a company established in the PRC with limited liability on 19 April 1999 and the shares of which are listed on the Stock Exchange (stock code: 1359 and 4607 (preference shares)). China Cinda is ultimately controlled by the Ministry of Finance, being an independent third party, directly holding approximately 64.5% of the total issued share capital of China Cinda, respectively. China Cinda is principally engaged in (i) distressed asset management, financial investment and asset management; and (ii) financial services.
- (6) ICBC Financial is a company established in the PRC with limited liability on 26 September 2017 and is wholly-owned by ICBC, the shares of which are listed on the Stock Exchange (stock code: 1398, 4603 (USD preference shares), 4604 (EUR preference shares) and 84602 (RMB preference shares)). ICBC is ultimately controlled by Central Huijin Investment Ltd. (中央匯金投資有限責任公司) (“**Central Huijin**”) and the Ministry of Finance, being independent third parties, directly holding approximately 34.7% and 34.6% of the total issued share capital of ICBC, respectively. Central Huijin is a state-owned company founded by the State on 16 December 2003. Central Huijin is principally engaged in making equity investments in major state-owned financial enterprises. ICBC Financial is principally engaged in financial asset investment.
- (7) Zhejiang Financial Development is a company established in the PRC on 30 June 1992 and is wholly-owned by Zhejiang Provincial Department of Finance (浙江省財政廳). Zhejiang Financial Development is principally engaged in industrial investment and asset investment. Pursuant to various notices issued by Zhejiang Provincial Department of Finance and the ZJSASAC, the transfer of registered capital of Zhejiang Construction Investment from Zhejiang State-owned Capital to Zhejiang Financial Development on 26 February 2019 was part of the series of transactions implementing restructuring proposals of the State Council, with an aim to strengthen social insurance funds held under state-owned enterprises.
- (8) Zhejiang Construction Investment is principally engaged in (i) building construction; (ii) manufacturing and leasing of mechanical equipment; (iii) financial leasing; (iv) trading of commercial goods; (v) real estate leasing and development; (vi) building design; and (vii) manufacturing of building materials. Apart from holding indirect interest in our Group, Zhejiang Construction Investment also holds interests in other entities, the principal businesses of which include (i) building construction; (ii) manufacturing of machinery; (iii) financial leasing; (iv) trading of commercial goods; (v) real estate leasing; (vi) building design; (vii) real estate development; (viii) investment management; and (ix) manufacturing of building materials.

HISTORY, REORGANISATION AND GROUP STRUCTURE

- (9) Zhejiang Construction BVI is an investment holding company incorporated in the BVI on 1 April 2019. Since its incorporation and up to the Latest Practicable Date, Zhejiang Construction BVI has been an investment holding company without any business operation.
- (10) Zhejiang Construction HK is principally engaged in (i) building construction business in the Asia Pacific region excluding Hong Kong and Macau; and (ii) holding interests in companies engaging working capital management in Hong Kong, financial leasing, civil engineering; and property management in the PRC.

PRC government approvals

As advised by our PRC Legal Advisers, pursuant to relevant laws and regulations of the PRC, Zhejiang Construction Investment shall (i) obtain approval from the ZJSASAC for the Reorganisation; and (ii) obtain approval from the Zhejiang Provincial Government and the ZJSASAC for the Listing. Zhejiang Construction Investment had obtained the approval for the Listing from the Zhejiang Provincial Government on 31 August 2017 and the approval for the Reorganisation and the Listing from the ZJSASAC on 5 September 2017. As such, our PRC Legal Advisers are of the view that we have obtained all necessary approvals for the Reorganisation and the Listing pursuant to PRC laws.

BUSINESS

OVERVIEW

Established in 1967, we are one of the leading building contractors in Hong Kong with over 50 years of experience. We principally act as a main contractor in building construction works and RMAA works projects across public and private sectors in Hong Kong. According to the CIC Report, we ranked the third among all main contractors in Hong Kong in terms of revenue from building construction works for the year ended 31 December 2018 with a market share of approximately 5.2%.

Our Group is an approved contractor of (i) the Buildings Department for general building and site formation works; (ii) WBDB for public works (buildings) (Group C (confirmed)), turn-key interior design and fitting-out works (Group I (confirmed)) as well as roads and drainage (Group A (probationary)); and (iii) the Housing Authority for building (new works) (Group NW2 (probationary)) and building (maintenance works) (Group M2 (probationary)). During the Track Record Period, we provided building construction works and RMAA works to our public sector customers including (i) various Government departments, such as the Housing Authority and the Education Bureau; (ii) educational institutions; and (iii) NGOs. For the private sector, during the Track Record Period, we provided building construction works and RMAA works to private property developers and other listed and private companies in Hong Kong. Based in Hong Kong for over 50 years, we believe we have built up strong reputation and experience in various types of public and private sector projects.

We believe the quality of our works is key to our success thus we have placed emphasis in setting up and maintaining an effective and comprehensive quality management system. Our quality management system is recognised by a number of accreditations including ISO 9001, ISO 14001 and OHSAS 18001 from HKQAA, and ISO 50001 from ACIL.

During the Track Record Period, we mainly took the role of main contractor. As a main contractor, we are responsible for (i) overall management of the projects; (ii) formulating work programmes; (iii) engaging subcontractors and supervising their works; (iv) sourcing construction materials; (v) communication and coordination with our customers and their consultant teams; and (vi) safeguarding compliance with safety, environmental and other contractual requirements.

During the Track Record Period, all of our building construction works and most of our RMAA works were project-based while some of our RMAA works, in particular maintenance works, were term contract based. During the Track Record Period, we derived the majority of our revenue from building construction works and experienced significant growth in our revenue. The total revenue of our Group were approximately HK\$2,577.4 million, HK\$3,141.4 million, HK\$4,813.9 million and HK\$1,115.0 million for each of the three years ended 31 December 2018 and the three months ended 31 March 2019, respectively.

During the Track Record Period, we have completed 16 building construction works and nine RMAA works projects, the aggregate original contract sum of which amounted to approximately HK\$8,710.9 million and HK\$876.5 million, respectively. After the Track Record Period and up to the Latest Practicable Date, we have completed two building construction works projects, with aggregate original contract sum of approximately HK\$254.5 million. As at the Latest Practicable Date, we had nine ongoing building construction works projects and eight ongoing RMAA works projects, the aggregate original contract sum of which amounted to approximately HK\$10,403.1 million and

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HK\$1,488.6 million, respectively. As at the Latest Practicable Date, we have been awarded one RMAA works project with an original contract sum of approximately HK\$3.2 million, in which we have not commenced on-site works. For further information of our projects, please refer to the paragraph headed “Our projects” in this section.

According to the CIC Report, it is estimated that the growth drivers of building construction works industry in Hong Kong will cause an increase in the total gross output value of building construction works from approximately HK\$89.7 billion in 2018 to approximately HK\$131.3 billion in 2023 with a CAGR of 7.9%. These growth drivers include (i) the Government is expected to increase the land supply for both public housing and private residential development in order to meet the continuously rising demand for housing units; (ii) more residential units and hotels will be built in Hong Kong in the future to accommodate the increasing population and the number of tourists visiting Hong Kong; (iii) investment in public infrastructure projects are expected to spur on demand for related construction work; and (iv) the rapid increase in real estate prices has driven property developers to increase their investments into Hong Kong’s real estate market, which has driven the continued growth of the building construction works industry. Our Directors believe that with our competitive strengths, we are in a strong position to secure new business opportunities in the construction industry in Hong Kong.

OUR BUSINESS MODEL

Our principal business is provision of building construction works and RMAA works services. Our revenue by type of services provided during the Track Record Period is set out below:

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	HK\$'	%	HK\$'	%	HK\$'	%	HK\$'	%	HK\$'	%
	million		million		million		million		million	
	(unaudited)									
Building construction works	2,212.9	85.9	2,880.8	91.7	4,667.9	97.0	1,060.8	96.2	1,073.8	96.3
RMAA works	364.5	14.1	260.6	8.3	146.0	3.0	42.2	3.8	41.2	3.7
Total	2,577.4	100.0	3,141.4	100.0	4,813.9	100.0	1,103.0	100.0	1,115.0	100.0

Building construction works

We undertake project-based building construction works from customers from public sector, represented by the Housing Authority, educational institutions and NGOs as well as customers from private sector such as private property developers and other listed and private companies in Hong Kong. When undertaking building construction works projects, we provide structural and/or engineering works including but not limited to building, piling, demolition, site formation and electrical and mechanical works. For further information of our building construction works projects, please refer to the paragraph headed “Our projects” in this section.

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For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, our revenue from building construction works was approximately HK\$2,212.9 million, HK\$2,880.8 million, HK\$4,667.9 million and HK\$1,073.8 million, which accounted for approximately 85.9%, 91.7%, 97.0% and 96.3%, of our total revenue in the corresponding periods, respectively.

RMAA works

Most of our RMAA works are under project-based contracts. We also provide some RMAA works, in particular maintenance work, under term contracts for customers from public sectors in which we are responsible for completing works on schedule in accordance with work orders issued by our customers. For further information of our RMAA works projects, please refer to the paragraph headed “Our projects” in this section.

For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, our revenue from RMAA works was approximately HK\$364.5 million, HK\$260.6 million, HK\$146.0 million and HK\$41.2 million, which accounted for approximately 14.1%, 8.3%, 3.0% and 3.7%, of our total revenue in the corresponding periods, respectively.

COMPETITIVE STRENGTHS

Our Directors believe our established reputation and position in the construction industry are attributable to our competitive strengths as set out below:

Established history and a proven track record in the building construction works and RMAA works industries

Since we were founded in 1967, we have built up strong reputation and presence in the Hong Kong building construction works and RMAA works industries. The projects we undertook as main contractor include (i) building construction works for the Hong Kong Housing Society, various educational institutions, private property developers and other listed or private companies in Hong Kong; (ii) public housing construction for the Housing Authority; (iii) redevelopment and revitalisation projects for the Urban Renewal Authority; and (iv) RMAA works for various Government departments including the Architectural Services Department and the Education Bureau and private property developers in Hong Kong. According to the CIC Report, we ranked the third among all main contractors in Hong Kong in terms of revenue from building construction works for the year ended 31 December 2018 with a market share of approximately 5.2%. In 2012, we completed one RMAA works project which was so far the largest RMAA works project in Hong Kong in terms of contract sum as at the Latest Practicable Date.

We have also received various awards and recognitions including (i) the Grand Award of the Quality Building Award 2014 in Hong Kong Building (Renovation/ Revitalisation) category; (ii) the Grand Award of the Quality Building Award 2014 in Hong Kong Non-Residential (New Building) category; and (iii) the Winner of the Construction Project Team of the Year in 2017 awarded by the Royal Institution of Chartered Surveyors. For further information of our awards and recognition, please refer to the paragraph headed “Awards and recognitions” in this section.

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Our Directors believe that our proven track record and the recognitions of our high standard of quality works established our presence in the building construction works and RMAA works industries which are critical to our continued success.

Well positioned to secure emerging opportunities in public and private building construction works development

With reference to the 2018 Policy Address, the CIC Report pointed out that about 97,000 public housing units will be produced until 2022. In addition, a number of infrastructure projects, including the proposed plan for “Ten Major Infrastructure projects”, have also provided a boost to the growth of Hong Kong’s public building construction works industry. Furthermore, the Government will increase land supply on all fronts in order to satisfy the housing, economic, and social development needs in Hong Kong. In light of the expected growth in both public and private building construction works industry in Hong Kong, our Directors consider we are well positioned to secure these new business opportunities.

In relation to public building construction projects, we are on the list of approved and confirmed Group C contractor with WBDB, such that we are eligible to tender for WBDB’s public building construction works contracts of any values exceeding HK\$300 million. We were also granted the probationary status as an approved building contractor for building (new works) (group NW2) by the Housing Authority.

During the Track Record Period, we have also been building up our portfolio in building construction works and RMAA works for the private sector in Hong Kong. For further information of our projects in the private sector, please refer to the paragraph headed “Our projects” in this section.

It is our Directors’ belief that we have accumulated considerable experience, knowledge and market presence in tendering for public and private sector projects competitively and that we have obtained the necessary registrations and permits to engage in building construction works and RMAA works projects across public and private sectors.

Long-standing and strong relationships with our major business partners

We have built up long-standing and strong relationships with our major customers from both public and private sectors. We have maintained over ten years of business relationship with some of our major customers. We have also maintained strong relationships with consultants employed by our customers. It is our Directors’ view that our track record of satisfactory project execution has rewarded us long-term relationships with our major customers and their consultants.

We have also developed and maintained strong relationships with numerous suppliers and subcontractors. Some of our major suppliers and subcontractors have worked with us for over five years. Our Directors are of the view that our suppliers and subcontractors are attracted to work with us because of our experience and skills in project management. It is our Directors’ view that such an extensive network and relationship with suppliers and subcontractors allows us to (i) select suppliers and subcontractors with flexibility; (ii) minimise risks of delay or shortage of materials or services; and (iii) execute our works on schedule.

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Stringent quality control and high safety standard and environmental impact control

We place emphasis on providing consistently high quality services. We have adopted and implemented a quality control system that complies with international standards. Since 1993 and up to the Latest Practicable Date, we were assessed and certified to have complied with the requirements of ISO 9001: 2015 accreditation for our management system.

We have set up an occupational health and safety system to promote safe working practices among all employees and to prevent the occurrence of accidents through safety inspections. Further, we have also set up an environmental management system to promote environmental awareness and to prevent pollution of the environment resulting from projects undertaken by us. Our safety and environmental management systems have been certified to be in compliance with OHSAS 18001: 2007 and ISO 14001: 2004 standards respectively.

Our Directors believe that our stringent quality assurance system and strong commitment to environmental and occupational health and safety management will allow us to be better positioned to deliver quality works on time and within budget, thereby strengthening our position as an established contractor for building construction works and RMAA works in Hong Kong.

Experienced and committed management team and professional staff members

Led by our chairman, Mr. Guan Manyu and our executive Directors, we have an experienced senior management and project management team which are committed to working closely with our customers, suppliers and subcontractors and implementing various projects efficiently.

Our chairman, Mr. Guan Manyu has approximately 20 years of experience in the construction industry. Mr. Li Kar Yin, our executive Director, has approximately 37 years of experience in the construction industry. Ms. Chu Ping, our executive Director, has approximately 18 years of experience in the construction industry. Mr. Law Ming Kin, our executive Director, has approximately 40 years of experience in the construction industry. Mr. Chan Tak Yiu, our executive Director and one of the authorised signatory for our registered general building contractors license, has approximately 27 years of experience in the construction industry. For further qualifications and background of our Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus.

With the industry insights and experiences of our Board and senior management, we have been able to devise strategic business plans, assess and manage risks thoroughly and securing emerging opportunities.

As at the Latest Practicable Date, most of the staff members in our project department and technical department have over ten years of experience in building construction works industry, respectively and all of them possess relevant professional qualifications. They are equipped with practical knowledge and technical skills in building construction works and RMAA works.

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As at the Latest Practicable Date, four members of our executive Directors and senior management have served us for more than 10 years. We consider our senior management, project management team and all staff members as our treasured assets and having such an experienced and loyal management team is our driving force to undertake various types, scale and nature of construction projects.

BUSINESS STRATEGIES AND FUTURE PLANS

Business expansion in building construction works and RMAA works

To sustain our business growth, create long-term shareholders' value and increase our market share in the building construction works and RMAA works industries, we intend to tender for and secure more contracts in both public and private sectors such as public works with various Government departments, public housing projects with the Housing Authority and private residential developments with private property developers. We aim to identify and pursue new business opportunities building on our past success and experiences in the construction industry.

Private projects

With reference to the 2018-19 Budget, the CIC Report pointed out that the Government will increase the land supply in Hong Kong on all fronts in order to satisfy the region's housing, economic, and social development needs. In particular, the 2018-19 Land Sale Programme comprises 27 residential sites capable of providing a total of 15,200 units. In terms of commercial land supply, the Government will put up for sale four commercial/hotel sites, capable of providing approximately 530,000 sq.m. of floor area.

During the Track Record Period and up to the Latest Practicable Date, we have completed seven residential projects, seven commercial projects and three hotel project in Hong Kong. For further information of our projects in the private sector, please refer to the paragraph headed "Our projects — Completed projects" in this section.

Based on our past experience and involvement in similar projects, we will actively tender for both building construction works and RMAA works projects in the private sector. As at the Latest Practicable Date, we (i) had 13 ongoing private work projects; (ii) have been awarded one private work project but have not commenced on-site works; and (iii) have submitted 12 tenders which were pending for results.

Public works

With reference to the CIC Report, a number of infrastructure projects, including the proposed plan for "Ten Major Infrastructure projects", have provided a boost to the growth of Hong Kong's public building construction works industry. Since some of these projects are still ongoing, including the West Kowloon Cultural District project and the Kai Tak Development project, it is estimated that

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infrastructure projects will provide a constant stimulus for Hong Kong's public building construction works industry until 2023. Given that we are an approved and confirmed Group C contractor of WBDB for public works buildings, we are eligible to tender for public building construction works contracts of any values exceeding HK\$300 million. We will actively tender for public building construction works and RMAA works projects based on our past experience and involvement in similar projects such as building construction works for educational institutions and NGOs and RMAA works for various Government departments. As at the Latest Practicable Date, we (i) had four ongoing public work projects; and (ii) have submitted tender for 14 public work project which were pending for result.

Public housing

With reference to the CIC Report, it is estimated that there are a considerable number of public housing projects planned by the Housing Authority in the upcoming years, involving approximately 97,000 units until 2022. We were granted a probationary status as an approved contractor for building (new works) (Group NW2) by the Housing Authority in the year 2000 and we can undertake not more than one Housing Authority's Group NW2 direct contract at any one time. During the Track Record Period and up to the Latest Practicable Date, we undertook and completed one public housing project which involved building construction works of a community complex under public estate redevelopment, the project size of which did not fulfill the conditions to apply for a confirmed status as a building (new works) (Group NW2) contractor.

According to the "Guide to registration of works contractors and property management services providers" published by the Housing Authority, probationary contractors for building (new works) (Group NW2) of the Housing Authority may apply for a confirmed status upon satisfactory completion of a NW2 contract as main contractor, or a relevant local non-Housing Authority building contract of comparable size and complexity with other major clients such as WBDB, public organisation or private developers as main contractor. As at the Latest Practicable Date, the Group have not applied for a confirmed status as an approved contractor for building (new works) (Group NW2). We intend to apply for a confirmed status in around September 2020 (the expected completion date of Project C33, of which our Directors are confident, after taking into account the size and nature of the project, would fulfil the conditions pertaining to the application for confirmed status as a building (new works) (Group NW2) contractor upon completion) in order to increase our involvement in public housing projects. For details on the conditions to apply for a confirmed status as a building (new works) (Group NW2) contractor, please refer to the section headed "Regulatory overview - D. Laws and regulations in relation to contractor licensing — Approved contractor of the Housing Authority" in this prospectus. If we successfully obtain the confirmed status, we will be permitted to undertake unlimited number of Housing Authority's building contracts at one time. We are committed to actively tender for more public housing projects.

Our Directors believe that our experience in the construction industry will further strengthen our competitiveness and reputation in the industry.

Further strengthening our manpower

We believe that our success in the construction industry is largely attributable to our experienced management and skilled staff members. In order to secure the emerging business opportunities in the construction industry and drive our business expansion, we intend to further strengthen our human resources by recruiting more experienced staff for our projects department and technical department.

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We deploy building information modelling and aerial technology to simulate our project plan and assist construction sites supervision, respectively. For further information on the execution of our projects, please refer to the paragraph headed “Execution of our projects” in this section. Since an effective operation of the building information modelling and aerial technology requires sufficient number of skilled staff, we intend to recruit additional staff with relevant knowledge and arrange more training courses for our staff on the usage of the technologies.

Further enhancing our information technology

In addition to the technologies we have employed when executing our projects, we also intend to enhance the efficiency of our operations by introducing an enterprise resource planning system and expanding and upgrading our computer hardwares and softwares. We believe that introducing an enterprise resource planning system, which is a system of integrated applications to manage the business and automate various back office functions related to technology, services and human resources, will allow us to: (i) increase efficiency of our business procedures; (ii) promote operational control in different areas of operation; and (iii) ensure consistency in our services offered.

Adhering to prudent financial management to ensure sustainable growth and capital sufficiency

We generally fund our project expenditure with cashflows from operations and bank loans as necessary. We have managed our capital and cash position prudently to ensure that our funds are properly and efficiently collected and deployed and to maintain sufficient level of funds to settle our liabilities when they fall due. This allowed us to minimise our finance costs. For further information of our capital management, please refer to the section headed “Financial information — Financial risk management — Capital management” in this prospectus.

We will continue to monitor our liquidity positions by managing key measures such as gearing ratio and cash flows. In the process of identifying and capturing emerging business opportunities, we will continue to cooperate with external parties to develop projects on a selective basis to take advantage of our cooperating partners’ resources. We will remain disciplined in our capital commitments and seek long-term financing opportunities.

OUR PROJECTS

During the Track Record Period, we had undertaken building construction works and RMAA works projects in both public and private sectors. For our building construction works projects, which are normally one-off projects, the duration of projects usually ranged from approximately one year to four years, depending on the scale and the complexity of the construction works undertaken. As for RMAA works projects, which could be one-off or term contracts, it usually ranged from approximately half year to three years.

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We have completed 16 building construction works projects and nine RMAA works projects during the Track Record Period, the aggregate original contract sum of which amounted to approximately HK\$8,710.9 million and HK\$876.5 million, respectively. After the Track Record Period and up to the Latest Practicable Date, we have completed two building construction works projects, with aggregate original contract sum of approximately HK\$254.5 million. Except for Project C19, Project C27 and a project with an original contract sum of approximately HK\$4.9 million in which we acted as a subcontractor, we acted as a main contractor in all other completed and ongoing projects during the Track Record Period. We had nine building construction works projects and eight RMAA works projects with an aggregate original contract sum of approximately HK\$10,403.1 million and HK\$1,488.6 million, respectively, which were in progress as at the Latest Practicable Date.

Completed projects

The following table sets out the summary of our building construction and RMAA works projects that were completed during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 December 2016 <i>Number of projects</i>	Year ended 31 December 2017 <i>Number of projects</i>	Year ended 31 December 2018 <i>Number of projects</i>	Three months ended 31 March 2019 <i>Number of projects</i>	After Track Record Period to the Latest Practicable Date <i>Number of projects</i>
Original contract sum at or above HK\$500 million					
- Building construction works	3	—	1	3	—
- RMAA works	—	—	—	—	—
Original contract sum below HK\$500 million but at or above HK\$200 million					
- Building construction works	—	2	3	—	1
- RMAA works	1	1	—	—	—
Original contract sum below HK\$200 million but at or above HK\$100 million					
- Building construction works	—	—	1	1	—
- RMAA works	—	1	1	—	—
Original contract sum less than HK\$100 million					
- Building construction works	—	2	—	—	1
- RMAA works	—	1	2	2	—
Total	4	7	8	6	2

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The following table sets out the details of our major completed building construction works and RMAA works projects with original contract sum exceeding HK\$100 million during the Track Record Period and up to the Latest Practicable Date, in descending order by contract sum:

Project code	Customer	Type of projects	Location	Brief description of the projects	Customer sector	Project period (Note 1)	Original contract sum (approximately HK\$ million) (Note 2)	Revenue derived from the project during the year ended		Revenue derived from the project during the three months ended 31 March 2019 (approximately HK\$ million)
								31 December 2016 (approximately HK\$ million)	31 December 2017 (approximately HK\$ million)	
C1	Customer F	Building construction	Tseung Kwan O	Commercial development	Private	April 2015 - October 2016	1,438.0	749.4	24.1	20.2
C17	China Resources	Building construction	Wanchai	Hotel development	Private	April 2016 - February 2019	1,427.5	167.2	592.9	467.4
C20	Customer W	Building construction	Wanchai	Office development	Private	November 2016 - March 2019	1,006.0	21.2	206.3	606.0
C21	Customer O	Building construction	Kowloon Tong	Residential development	Private	January 2017 - November 2018	786.3	0.4	268.3	456.6
C2	Customer E	Building construction	Tuen Mun	New campus development	Public	July 2014 - June 2016	776.0	154.6	4.7	2.1
C22	Customer J	Building construction	Mid-levels	Redevelopment of school	Public	March 2014 - February 2019	655.5	172.1	99.1	222.5
C3	Customer G	Building construction	Tseung Kwan O	Campus development	Public	December 2014 - December 2016	631.3	230.2	9.4	2.5
C4	Customer I	Building construction	Tseung Kwan O	Development of a multimedia production and distribution centre	Private	September 2015 - March 2017	450.0	354.6	13.3	—
C23	Customer X	Building construction	Wong Tai Sin	Residential development	Private	April 2017 - September 2018	373.2	—	114.5	236.6
C9	Customer A	RMAA	Tsuen Wan, Kwai Tsing, Tuen Mun and Yuen Long	Renovation works on school	Public	April 2013 - March 2016	319.2	17.4	13.8	— (Note 3)
C25	Customer Y	Building construction	Sham Shui Po	Redevelopment of community complex	Public	October 2015 - June 2018	270.9	61.1	117.3	85.2
C26	Customer Z	Building construction	Tsim Sha Tsui	Hotel development	Private	September 2016 - October 2018	269.0	10.4	182.0	80.0
C27	Customer M	Building construction	Tuen Mun	Development of a waste electrical and electronic equipment plant	Public	January 2016 - October 2017	256.4	111.2	167.4	1.5
C28	Customer AA	Building construction	Repulse Bay	Residential development	Private	May 2017 - May 2019	218.1	—	34.0	68.8
C29	Customer N	RMAA	Kwai Chung	Revitalization of industrial building	Private	March 2016 - December 2017	215.7	125.7	105.3	—
C12	Customer R	RMAA	Kowloon Bay	Hotel development	Private	June 2015 - February 2017	180.1	123.1	5.7	— (Note 3)
C30	Customer BB	Building construction	Sham Shui Po	Residential development	Private	January 2017 - March 2019	160.6	— (Note 4)	65.1	69.5
C31	Customer CC	RMAA	Tai Tam	Renovation works for residential property	Private	February 2016 - January 2018	108.1	62.8	37.4	2.2
C32	Customer DD	Building construction	Sai Kung	Residential development	Private	October 2016 - May 2018	102.6	4.6	62.1	42.4
										1.7

Notes:

- (1) The project period covers the duration of our works with reference to the commencement date of the relevant project set out in (i) the architect instruction issued by our customer or their authorised persons; or (ii) term contract signed with our customer, and the completion date of the relevant project set out in (i) the certificate of practical completion and/or related documents issued by our customer or their authorised persons; or (ii) term contract signed with our customer.
- (2) Original contract sum refers to the original awarded contract sum excluding all variation orders issued by our customers, as such final revenue recognised from a contract may differ from the original contract sum.
- (3) Less than HK\$0.1 million and is neglected.

Ongoing projects

Our ongoing projects represent projects that we have commenced on-site works. The table below sets out the details of our major ongoing projects with original contract sum exceeding HK\$100 million as at the Latest Practicable Date (in descending order by contract sum):

Project code	Customer	Type of projects	Location	Brief description of the projects	Customer sector	Expected project period (Note 1)	Original contract sum (approximately HK\$' million)	Revenue derived from the project during the year ended	Revenue derived from the project during the three months ended 31 March 2019 (approximately HK\$' million)	Expected revenue to be recognised for the nine months ending 31 December 2019 (approximately HK\$' million)	period(s) after 31 December 2019 (approximately HK\$' million)
C33	Customer V	Building construction	Kwun Tong	Composite development	Private	July 2018 - September 2020	3,155.0	—	344.0	1,567.7	1,445.4
C16	Customer U	Building construction	Tung Chung	Hotel development	Private	August 2017 - March 2020	2,425.0	—	255.2	714.5	77.2
C18	Customer V	Building construction	Kwun Tong	Composite development	Private	July 2017 - March 2020	1,150.7	—	145.9	362.5	200.6
C19	Customer L	Building construction	Mid-levels	Residential development	Private	November 2016 - October 2019	1,010.8	85.3	114.0	55.5	128.5
C35	Customer FF	Building construction	The Peak	Residential redevelopment	Private	November 2018 - September 2021	695.9	—	13.8	100.6	571.5
C38	Customer II	RMAA	Happy Valley	Renovation for residential properties	Private	March 2019 - August 2021	683.2	—	—	212.8	470.4
C41	Customer LL	Building construction	Chek Lap Kok	Expansion of industrial building	Private	August 2019 - August 2022	627.0	—	—	125.3	501.7
C36	Customer GG	Building construction	Ho Man Tin	Campus development	Private	January 2019 - August 2020	579.7	—	15.9	276.8	277.2
C40	Customer KK	Building construction	Shatin	Residential redevelopment	Private	April 2019 - January 2021	405.0	—	—	118.0	287.0
C24	Customer Y	RMAA	Wong Tai Sin, Tsing Yi and Tsuen Wan	Vacant flat refurbishment	Public	July 2017 - June 2020	363.0	30.8	29.8	73.1	137.4
C37	Customer HH	Building construction	Tuen Mun	Industrial redevelopment	Private	December 2018 - April 2020	354.0	—	23.3	275.1	63.2
C39	Customer JJ	RMAA	Wan Chai, Chai Wan, Kwun Tong, Kowloon Bay, Pok Fu Lam, Tsung Kwan O	Renovation works to training centres	Public	April 2019 - March 2023	224.0	—	—	18.9	205.1
C34	Customer EE	RMAA	Kwun Tong	Wholesale conversion of industrial building	Private	August 2018 - September 2020	101.5	—	0.5	24.1	72.1

Notes:

- (1) The expected project period represents the commencement date of the relevant project set out in the architect instruction issued by our customer or their authorised persons, and our best estimation of the completion date of the project. In making of the estimation, our management takes into account factors including the date specified in the relevant contracts, the extension period granted by our customers and the actual work schedule of our subcontractors.
- (2) Original contract sum refers to the original awarded contract sum excluding all variation orders issued by our customers, as such final revenue recognised from a contract may differ from the original contract sum.
- (3) It represents our best estimation based on factors including the estimated completion date specified in the relevant contracts, variation orders received and work progress as at the Latest Practicable Date.

Except for Project C19 in which we act as a subcontractor, we act as a main contractor in all other ongoing projects as at the Latest Practicable Date. As at the Latest Practicable Date, we have also been awarded one RMAA works project with original contract sum of approximately HK\$3.2 million, in which we have not commenced on-site works.

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Projects in backlog

The following table sets forth the movement of backlog of our building construction works and RMAA works projects by the number of projects during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			For the three months ended 31 March	From 1 April 2019 to the Latest Practicable Date
	2016	2017	2018	2019	
Number of ongoing projects brought forward from prior year/period	9	14	19	19	16
Number of new projects commenced	9	12	8	3	3
Number of projects completed	<u>(4)</u>	<u>(7)</u>	<u>(8)</u>	<u>(6)</u>	<u>(2)</u>
Number of ongoing projects carrying forward to next year/period	<u>14</u>	<u>19</u>	<u>19</u>	<u>16</u>	<u>17</u>

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The following table sets forth the movement of backlog of our building construction works and RMAA works projects by the outstanding contract sum during the Track Record Period and up to the Latest Practicable Date^(Note 1):

	For the year ended 31 December			For the three months ended 31 March	From 1 April 2019 to the Latest Practicable Date
	2016	2017	2018	2019	
	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million
Outstanding contract sum brought forward from prior year/period ^(Note 2)	2,789.1	4,452.8	6,827.9	6,993.9	7,469.6
Original contract sum of new projects commenced during the year/period ^(Note 3)	4,486.0	5,575.9	4,341.4	1,263.3	1,256.0
Revenue recognised from projects during the year/period	(2,577.4)	(3,141.4)	(4,813.9)	(1,115.0)	(2,193.7)
Adjusted variation orders ^(Note 4)	(244.9)	(59.4)	638.5	327.4	55.3
Outstanding contract sum carried forward to next year/period ^(Note 2)	<u>4,452.8</u>	<u>6,827.9</u>	<u>6,993.9</u>	<u>7,469.6</u>	<u>6,587.2</u>

Note 1: Outstanding contract sum in the table above does not include contract sum of projects awarded to us but had not commenced on-site work as at the respective period end. As at 31 December 2016, 2017 and 2018, 31 March 2019 and the Latest Practicable Date, amount of contract sum awarded to us but had not commenced on-site work was approximately HK\$946.9 million, nil, HK\$582.9 million, HK\$632.2 million and HK\$3.2 million, respectively.

Note 2: The outstanding contract sum is inclusive of ongoing and completed projects which our Group has obtained certificate of practical completion with outstanding revenue to be recognised.

Note 3: Refers to the original awarded contract sum excluding all variation orders issued by our customers, as such final revenue recognised from a contract may differ from the original contract sum.

Note 4: Alternatives to the scope of work in the form of an addition, substitution or omission from the original scope of work.

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Tender

During the Track Record Period, our projects were generally obtained through tendering process. The table below sets out the statistics of our tenders during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			For the three months ended 31 March	From 1 January 2019 to the Latest Practicable Date
	2016	2017	2018	2019	
Number of tenders submitted	79	62	65	16 ^(Note 2)	50 ^(Note 3)
Number of successful tenders	7	12	8	3	4
Success rate (%) ^(Note 1)	8.9%	19.4%	12.3%	18.8%	8.0%
Approximate contract sum of tenders submitted (HK\$' million)	62,145.0	49,800.9	35,372.0	6,974.8	29,470.3
Approximate contract sum of successful tenders (HK\$' million)	2,758.4	7,668.0	2,050.7	907.6	1,534.6

Note 1: In the above table, success rate for a financial year is calculated based on the number of contracts awarded (regardless of whether they were awarded in the same financial year or subsequently) in respect of the tenders submitted during that financial year.

Note 2: As at 31 March 2019, nine out of 16 tenders submitted had been unsuccessful with four tender applications still pending result.

Note 3: From 1 January 2019 to the Latest Practicable Date, 20 out of the 50 tenders submitted had been unsuccessful with 26 tender applications still pending result. The aggregate contract sum of the 26 tender applications amount to approximately HK\$20,018.7 million.

Our Directors are of the view that our success rates in tendering projects are mainly affected by our tendering strategy, which depends heavily on the number and outstanding value of our ongoing projects, the number and size of the tenders awarded to us, our resources and workforce availability and the market condition. For instance, our tender success rate dropped from approximately 19.4% in the year ended 31 December 2017 to approximately 12.3% in the year ended 31 December 2018 mainly because we successfully tendered for projects C33, C16 and C18 with original contract sum of approximately HK\$3,155 million, HK\$2,425.0 million and HK\$1,150.7 million respectively and these projects commenced in July 2018, August 2017 and July 2017 respectively. We deployed significant resources and workforce in these new projects thus the pricing of our tenders in 2018 was relatively less competitive, which resulted in lower tender success rate. On the other hand, as projects C1, C2 and C3 with original contract sum of approximately HK\$1,438.0 million, HK\$776.0 million and

BUSINESS

HK\$631.3 million respectively were practically completed in the latter half of the year ended 31 December 2016 and more resources and workforce became available, the pricing of our tenders submitted was more favourable and thus our tender success rate increased in the year ended 31 December 2017. Our Directors consider that submitting a tender would allow us to keep abreast of up-to-date market data such as labour and raw material costs, requirements of our customers and pricing level of our competitors which can serve as references in our future tendering exercise in similar projects.

Having considered our tendering strategy, our performance over the Track Record Period and our ongoing projects as of the Latest Practicable Date, our Directors consider that our overall tendering performance during the Track Record Period has been satisfactory in general.

During the Track Record Period, we have submitted 222 tenders of an aggregate contract sum of approximately HK\$154,292.7 million, of which four tenders of an aggregate contract sum of approximately HK\$4,899.7 million were pending for result.

After the Track Record Period and up to the Latest Practicable Date, we have submitted 34 tenders of an aggregate contract sum of approximately HK\$22,495.5 million, 25 of which were pending for result.

SALES AND MARKETING

Our major customers usually contract us for our building construction works and RMAA works by way of open tender and invitation to tender. Some of our customers may invite potential tenderers to express their interest to tender before the formal invitation to tender.

Our Directors are of the view that invitation to tender from both public and private sectors are largely based on market reputation and track record in the industry. Therefore, we have not specifically formed a team for the purpose of sales and marketing. With a view to maintaining and developing relationships with our existing and potential customers, enhancing our reputation and attending to market and industry developments, we undertake marketing efforts such as (i) providing sponsorships to different industry players; (ii) publishing advertisements in industry related magazine; and (iii) participating in industry related association and events hosted by other industry players.

Our Group explores new business opportunities by identifying any new projects in Hong Kong through subscription to relevant industry database. We also maintain stable business relationships with our customers, and timely communicate with customers, architects and other consultants in the construction industry to keep abreast of market development and potential business opportunities.

PRICING STRATEGY

We adopt a cost-plus pricing model in order to determine our tender price. Regarding our cost estimation, we take into account factors including but not limited to (i) estimated construction cost; (ii) site condition; (iii) complexity of works; (iv) project schedule; (v) labour and machinery requirements; and (vi) extent of subcontracted works.

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On the other hand, we may adopt a competitive pricing strategy by generally offering a more competitive price under our tenders/quotations submitted to potential customers, particularly in situations where our Group would like to establish and maintain strong business relationship with a particular potential customer. We also take into account factors such as (i) customer background; (ii) media coverage and size of project; (iii) our resources and manpower capacity; (iv) estimated tender prices of our competitors; (v) relationship with the customer; (vi) trend of labour, subcontracting and material costs; and (vii) other potential risks of the projects, if any. Our Directors consider that by adopting a competitive pricing strategy, we will be able to (i) establish strategic business relationship with customer, through which we may enhance our chance in capturing new and future business opportunities and maintaining long-term business relationship with the customer once we become one of their list of approved contractors; (ii) enhance our corporate profile and brand awareness; and (iii) thereby maintain and enhance our competitiveness and further expand our market share amid the growing building construction works industry in Hong Kong. As such, our Directors confirm that our Group will continue to adopt the same pricing strategy going forward.

Once the estimated project costs are determined, our executive Directors and senior management will proceed to determine an appropriate and reasonable profit margin.

Our Directors believe that our business model is sustainable despite thin gross profit margin and the adoption of competitive pricing due to the following factors:

- we adopt a cost-plus pricing model taking into account potential cost incurred by our Group and will try to ensure the project is profitable by adding a markup to the cost of services to arrive at the cost estimation; and
- while we record a relatively thin gross profit margin during the Track Record Period, our gross profit increased from approximately HK\$120.5 million for the year ended 31 December 2016 to approximately HK\$166.0 million for the year ended 31 December 2017 and subsequently to approximately HK\$185.5 million for the year ended 31 December 2018. In other words, gross profit generated from projects with a sizeable contract sum is still substantial in terms of dollar amount despite the relatively thin gross profit margin.

There is no assurance that the actual amount of costs would not exceed our cost estimation during the performance of our projects. Please refer to the paragraph headed “Risk Factors — Risks relating to our business — We determine the tender price based on the estimated construction time and costs which may deviate from the actual implementation of a project due to cost overruns and/or other related construction risks” in this prospectus for further details of the associated risks in this regard. During the Track Record Period, we recorded loss from two projects, details of which are set out below:

- we recorded loss from a project (“First Loss Making Project”) of approximately HK\$9.9 million, less than HK\$0.1 million, HK\$7.4 million and HK\$0.8 million for each of the three years ended 31 December 2018 and the three months ended 31 March 2019 due to cost overrun after its completion and reduction of anticipated revenue. The cost overrun was primarily attributable to (i) the adverse weather conditions of excessive rainfall in several days during the project period; and (ii) the unsatisfactory performance of our

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subcontractors such as defective internal wall plastering and tiling works not in accordance with the approved drawing. As a result, the time taken to make-good of the project was extended and we incurred additional costs by hiring additional subcontractors to complete the works in order to meet the requirement of our customer during the defects liability period. Furthermore, we have reduced the anticipated revenue of this project for the year ended 31 December 2018 and the three months ended 31 March 2019 after further reviewing and evaluating our variation works and claims of this project with the latest circumstances. Given that (i) we have obtained practical completion certificate for the project which, in the opinion of the architect of the customer, represented the project has been substantially completed as at 5 December 2013 with defect liability period expiring on 5 December 2014; and (ii) we are in the course of finalising the accounts with the customer, subcontractors and suppliers which is expected to be completed by the end of this year, our Directors do not expect any further material loss to be incurred in relation to this project.

- we recorded loss from another project (“Second Loss Making Project”) of approximately HK\$4.8 million, less than HK\$0.1 million, HK\$10.7 million and HK\$0.2 million for each of the three years ended 31 December 2018 and the three months ended 31 March 2019, respectively, due to cost overrun and reduction of anticipated revenue. The cost overrun was primarily attributable to (i) the unsatisfactory performance of our subcontractors such as defective curtain wall and window works and finishing works; and (ii) the inclement weather condition and late issuance of occupation permit from the Building Department. As a result, we incurred additional costs by hiring additional subcontractors to complete the remaining works and defect rectification works and the construction period was extended (i.e. additional site management costs are required). In addition, we have reduced the anticipated revenue of the project for the year ended 31 December 2018 after further reviewing and evaluating our variation works and claims of the project with the latest circumstances. Given that (i) we have obtained practical completion certificates for the project which, in the opinion of the architect of the customer, represented the project has been substantially completed as at 22 January 2016 for the first phrase and 31 January 2017 for the second phrase with defect liability period expiring on 31 January 2018; and (ii) the majority of the defects had been made good pending the subsequent issuance of the certificate of making good defects, our Directors do not expect any further material loss to be incurred in relation to this project.

According to the CIC Report, it is industry norm for main contractors in Hong Kong to, upon customer’s request, continue defect rectification works for immaterial defects after expiry of the defects liability period. In view of the industry practices, the Group had taken a relatively prudent approach and generally will continue to carry on customer’s defect rectification request for immaterial works during and post defects liability period until issuance of the certificate of making good defects. As such, we recorded losses for the two projects mentioned above even though the defects liability period for the First Loss Making Project and the Second Loss Making Project expired on 5 December 2014 and 31 January 2018, respectively.

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In our future projects, to minimise the financial impact for any remedial works and/or project suspension and risk of inaccurate estimate and cost overrun, our Group has adopted the following enhanced measures:

- (i) the pricing of our services are overseen by our executive Directors based on our pricing strategy described, whose background and experience are disclosed in the section headed “Directors and senior management” in this prospectus;
- (ii) a cost budget and action plan is prepared for each project which sets out the cost target, detailed project planning, potential difficulties and constraints, estimated manpower, machinery and resource allocations, etc. Such cost budget and action plan is formulated by our project department and technical department, subject to approval by our finance department, estimating and subletting department, human resources and administration department and our executive Directors;
- (iii) implementation of our project is carried out in accordance with the cost budget and action plan under the supervision of our project managers;
- (iv) actual expenses incurred and cash flow status is monitored by the project department on an ongoing basis. Actual expenses incurred in a project is reported by the project managers to our executive Directors. Revisions to cost budget, which requires approval from our executive Directors, may be made to control the cost target of the project. Such revisions shall (i) identify the causes of the increase in the cost of the project; and (ii) set out the measures to be taken to control the cost of the project;
- (v) regular (bi-weekly), and if necessary ad-hoc, progress meeting internally and with customers are held where project management team, technical department and executive Directors are notified with the latest progress update and whenever construction progress does not meet the planned timeline;
- (vi) projects department and technical department are required to (i) review and identify any material deficiency which causes the slow progress and deviation in the actual activities and then propose amendments or corrective action; (ii) rearrange labour and reallocate resources such as machinery and materials to speed up the progress if necessary; and/or (iii) strengthen communication with our subcontractors.

OUR CUSTOMERS

Our customers can be divided into two categories: (a) customers from the public sector including various Government departments such as the Housing Authority and the Education Bureau, educational institutions and NGOs; and (b) customers from the private sector such as private property developers and other listed and private companies. Our projects during the Track Record Period were generally secured by tendering.

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A breakdown of our revenue by customer sectors during the Track Record Period is set out below:

	For the year ended 31 December						For the three months ended 31 March	
	2016		2017		2018		2019	
	<i>HK\$'</i> <i>million</i>	%	<i>HK\$'</i> <i>million</i>	%	<i>HK\$'</i> <i>million</i>	%	<i>HK\$'</i> <i>million</i>	%
Private sector	1,812.1	70.3	2,669.2	85.0	4,366.4	90.7	1,044.8	93.7
Public sector	<u>765.3</u>	<u>29.7</u>	<u>472.2</u>	<u>15.0</u>	<u>447.5</u>	<u>9.3</u>	<u>70.2</u>	<u>6.3</u>
Total	<u><u>2,577.4</u></u>	<u><u>100.0</u></u>	<u><u>3,141.4</u></u>	<u><u>100.0</u></u>	<u><u>4,813.9</u></u>	<u><u>100.0</u></u>	<u><u>1,115.0</u></u>	<u><u>100.0</u></u>

Major customers

For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, our largest customer accounted for approximately 29.1%, 18.9%, 20.5% and 44.0% of our revenue, respectively, while our five largest customers in aggregate accounted for approximately 65.2%, 58.0%, 70.4% and 85.0% of our revenue, respectively.

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Details of our five largest customers during the Track Record Period are set out below:

For the year ended 31 December 2016

Rank	Customer	Background of the customer	Customer sector	Approximate amount of revenue (HK\$ million)	Approximate % of the total revenue	Service provided by our Group	Approximate years of business relationship
1	Customer F	A telecommunications service company in Hong Kong; a wholly owned subsidiary of a company listed in Hong Kong	Private	749.4	29.1	Building construction works	5
2	Customer I	Multimedia production and distribution services company in Hong Kong; a wholly owned subsidiary of a company listed in Hong Kong	Private	354.6	13.8	Building construction works	8
3	Customer G	A religious organisation which provides social welfare in Hong Kong	Public	230.2	8.9	Building construction works	6
4	Customer J	A religious organisation which provides social welfare in Hong Kong	Public	172.1	6.7	Building construction works	6
5	China Resources Property Limited (華潤物業有限公司) (“China Resources”) ^(Note 1)	A property development company in Hong Kong; subsidiary of a state-owned enterprise	Private	171.9	6.7	Building construction works and RMAA works	25
Five largest customers combined				<u>1,678.2</u>	<u>65.2</u>		

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For the year ended 31 December 2017

Rank	Customer	Background of the customer	Customer sector	Approximate amount of revenue (HK\$ million)	Approximate % of the total revenue	Service provided by our Group	Approximate years of business relationship
1	China Resources ^(Note 1)	A property development company in Hong Kong; a subsidiary of a state-owned enterprise	Private	593.4	18.9	Building construction works	25
2	Customer L	A property development company in Hong Kong; a wholly owned subsidiary of a company listed in Hong Kong	Private	552.4	17.6	Building construction works	14
3	Customer O	A property development company in Hong Kong; a wholly owned subsidiary of a company listed in Hong Kong	Private	268.3	8.5	Building construction works	3
4	Customer W	A private property development company in Hong Kong	Private	206.3	6.6	Building construction works	3
5	Customer V	A property development company in Hong Kong; a 90% owned subsidiary of a company listed in Hong Kong	Private	200.4	6.4	Building construction works	3
Five largest customers combined				1,820.8	58.0		

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For the year ended 31 December 2018

Rank	Customer	Background of the customer	Customer sector	Approximate amount of revenue (HK\$ million)	Approximate % of the total revenue	Service provided by our Group	Approximate years of business relationship
1	Customer U	A property development company in Hong Kong; a wholly owned subsidiary of a company listed in Hong Kong	Private	988.4	20.5	Building construction works	1
2	Customer V	A property development company in Hong Kong; a 90% owned subsidiary of a company listed in Hong Kong	Private	860.7	17.9	Building construction works	3
3	Customer W	A private property development company in Hong Kong	Private	606.0	12.6	Building construction works	3
4	China Resources ^(Note 1)	A property development company in Hong Kong; a subsidiary of a state-owned enterprise	Private	476.7	9.9	Building construction works	25
5	Customer O	A property development company in Hong Kong; a wholly owned subsidiary of a company listed in Hong Kong	Private	456.6	9.5	Building construction works	3
Five largest customers combined				<u>3,388.4</u>	<u>70.4</u>		

For the three months ended 31 March 2019

Rank	Customer	Background of the customer	Customer sector	Approximate amount of revenue (HK\$ million)	Approximate % of the total revenue	Service provided by our Group	Approximate years of business relationship
1	Customer V	A property development company in Hong Kong; a 90% owned subsidiary of a company listed in Hong Kong	Private	490.0	44.0	Building construction works	3
2	Customer U	A property development company in Hong Kong, a wholly owned subsidiary of a company listed in Hong Kong	Private	255.2	22.9	Building construction works	1
3	Customer L	A property development company in Hong Kong; a wholly owned subsidiary of a company listed in Hong Kong	Private	114.0	10.2	Building construction works	14

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Rank	Customer	Background of the customer	Customer sector	Approximate amount of revenue (HK\$ million)	Approximate % of the total revenue	Service provided by our Group	Approximate years of business relationship
4	Customer W	A private property development company in Hong Kong	Private	48.1	4.3	Building construction works	3
5	China Resources ^(Note 1)	A property development company in Hong Kong; subsidiary of a state-owned enterprise	Private	39.9	3.6	Building construction works and RMAA works	25
Five largest customers combined				947.2	85.0		

Notes:

- (1) China Resources is a fellow subsidiary of Supplier A, who is one of our suppliers. For further details, please refer to the paragraph headed “Our customers — Major customer who was also our major supplier and our subcontractor” in this section.
- (2) Identity of our major customers are disclosed on an anonymous basis because (i) agreements we entered with our customers may contain confidentiality provision which imposed obligations on our Group not to disclose any information relating to the agreement, including the identity of the customers, except with the customer’s prior consent; and (ii) disclosing the relevant customers’ identities without prior consent could constitute a breach of the explicit term or implied duty of confidentiality and expose our Group to legal liability and impair our relationship with the relevant customers.

During the Track Record Period, (i) none of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors, owned more than 5% of our issued share capital), had any interest in any of our five largest customers; and (ii) all of our five largest customers were independent third parties.

We believe the strong and long-term relationships with our major customers were vital and stable sources of our revenue during the Track Record Period. Given that six of our major customers have been working with us for not less than five years, we believe that they are satisfied with the quality of our completed works and services.

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Major customer who was also our major supplier and our subcontractor

During the Track Record Period, to the best knowledge and belief of our Directors, one of our major customers, China Resources, was a fellow subsidiary of Supplier A, which was one of our major suppliers. For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, our revenue generated from China Resources amounted to approximately HK\$171.9 million, HK\$593.4 million, HK\$476.7 million and HK\$39.9 million, respectively, representing approximately 6.7%, 18.9%, 9.9% and 3.6% of our total revenue, respectively. During the same years, our purchase from Supplier A amounted to approximately HK\$35.0 million, HK\$31.3 million, HK\$22.6 million and HK\$3.5 million, respectively, representing approximately 21.7%, 8.3%, 5.5% and 4.3% of our total purchase from suppliers, respectively. Also, another fellow subsidiary of China Resources, was nominated as a subcontractor of our Group by China Resources in a building construction project, where subcontracting fees paid and payable to it for each of the three years ended 31 December 2018 and the three months ended 31 March 2019 amounted to nil, approximately HK\$31.0 million, HK\$104.6 million and HK\$2.3 million respectively, representing nil, approximately 1.3%, 2.7% and 0.3% of our total subcontracting fee, respectively. The gross profit and gross profit margin of the projects with China Resources for each of the three years ended 31 December 2018 and the three months ended 31 March 2019 were approximately HK\$1.5 million, HK\$17.7 million, HK\$13.2 million and HK\$1.7 million, respectively; and approximately 0.9%, 3.0%, 2.8% and 4.4%, respectively.

We have a long business relationship with China Resources for approximately 25 years with a number of projects completed before the Track Record Period. The gross profit and gross profit margin with China Resources for each of the three years ended 31 December 2018 and the three months ended 31 March 2019 mainly reflected our quantity surveyors' estimation on the final revenue and costs of Project C17, a building construction project which was completed during the Track Record Period.

Similar to the projects with other customers, the gross profit margin of each project may change from time to time depending on our quantity surveyors' estimation. In general, in the early stage of a project, our quantity surveyors normally estimate the revenue and costs in a prudent manner and take into account the unexpected costs in the future, including but not limited to overtime labour costs and remediation of defects. Therefore, a relatively low gross profit margin is recorded in the early stage of a project. When the projects further progress, more certain final revenue and costs can be estimated and adjustments on the accrued costs provided in prior periods may be made, and it leads to the change of gross profit margin.

Our Directors consider the projects with China Resources were comparable to the projects with other customers during the Track Record Period.

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To the best knowledge and belief of our Directors, both China Resources and Supplier A are independent third parties. With reference to available public information, China Resources is a property development company in Hong Kong and a wholly owned subsidiary of a state-owned enterprise, while Supplier A is a concrete supplier in Hong Kong and a wholly owned subsidiary of a public company listed in Hong Kong.

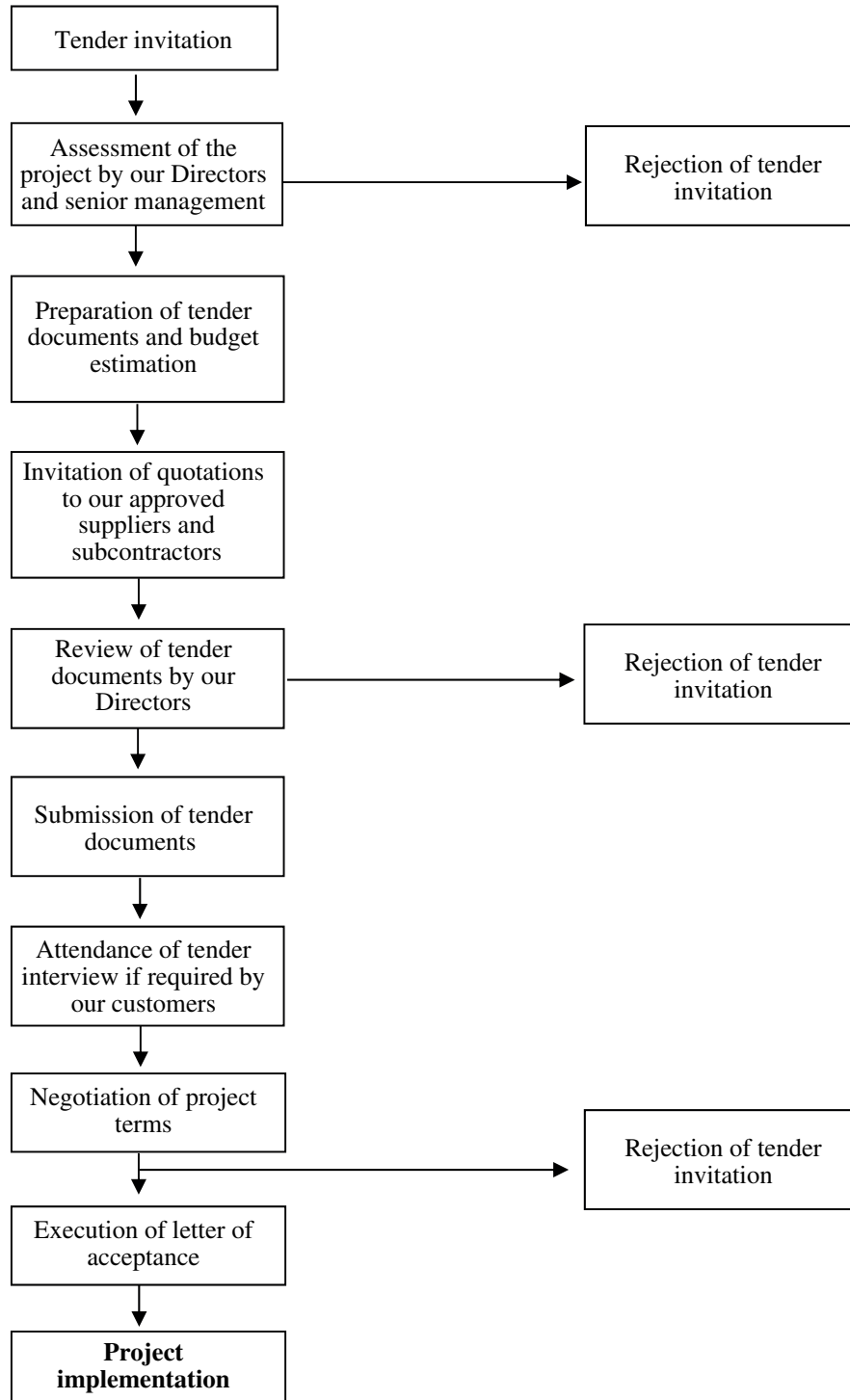
Negotiation of the terms of our services provided to China Resources and purchases from Supplier A were conducted independently from each other. The terms of transactions with China Resources and Supplier A are in line with the market and similar to those transactions with our other customers and suppliers.

EXECUTION OF OUR PROJECTS

The execution of our projects involves major stages such as preparation and submission tender documents, contract term negotiation, sourcing of construction materials, delivery arrangement of required equipments to construction site, appointment of subcontractors and implementation of construction works. The length of our projects is dependent upon customer specifications. During the Track Record Period, the majority of our building construction works projects were completed within approximately one year to four years while most of our RMAA works were completed within the relevant terms of approximately half year to three years. Upon stage of substantial completion, we may be responsible for reparation works requested by our customers during the defects liability period.

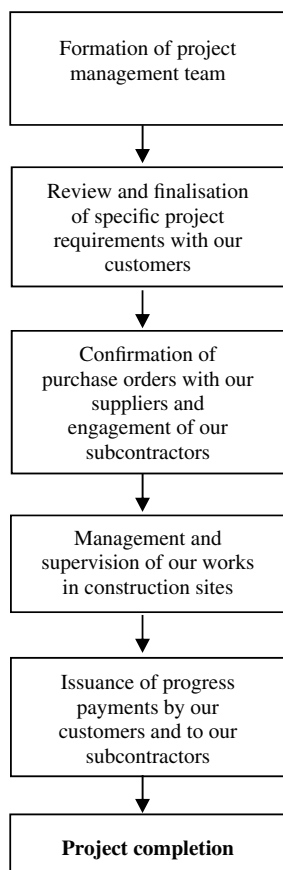
The diagram below illustrates the general steps of our project execution:

Project review

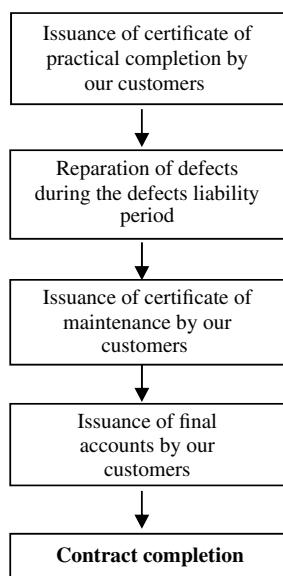


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Project implementation



Project completion



Project review

Tender invitation

While public sector projects are usually contracted by way of both open tender and invitation to tender, private sector projects are conventionally contracted through invitation to tender.

For public sector projects, our estimating and subletting department keeps track on the Gazette and tender forecast published on WBDB website to identify suitable open tenders. We may also receive invitations to tender if we are one of the approved contractors in the relevant field of works.

For private sector projects, our customers typically maintain their lists of approved contractors and they will send us letter of invitation or express of interest for tender with general information of the potential projects. Our estimating and subletting department will conduct preliminary assessment and evaluate if the potential projects are commercially viable. If we have accepted the invitation, our customers will let us have a tender package which specifies project requirements including specifications, schedule of rates, drawing, contact details and closing time of tender.

Assessment of the project and preparation of tender documents and budget estimation

It is the responsibility of our estimating and subletting department and technical department to conduct preliminary work in preparation for the tender submission. To ensure we deploy necessary resources and capabilities, our technical department usually review the tender package issued by our customers and understand project requirements and required amount and types of works.

We determine the tender price primarily based on cost estimation and a markup margin. When we are determining the estimated project cost, we may conduct on-site visit if necessary, to have a better understanding of the site conditions and constraint. It usually takes a period of four to six weeks for us to assess and finalise the tender price and the requisite tender documents. For further details on our pricing strategy, please refer to the paragraph headed “Pricing strategy” in this section.

Invitation of quotations to our approved suppliers and subcontractors

With a view to estimate costs more accurately, it is our practice to invite our approved suppliers and subcontractors to submit preliminary quotations to us during the preparation phase of our tender. In some of our projects, we may enter into pre-bid agreements with our subcontractors where our subcontractors would provide us with a fixed amount of cost, upon the condition that we would engage them if our tender bid is successful.

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Review and submission of tender documents, attendance of tender interview, negotiation of terms and execution of letter of acceptance

We will review and wrap up before submission of tender documents to our potential customers. For sizeable project, we may be invited to attend tender interviews to discuss and clarify the scope and specification of work as well as negotiate and finalise the contract terms. If our customer accepts our tender proposal, we will receive letter of award or letter of acceptance, after which a written notice from architect specifying the commencement date of the project will be issued.

Project implementation

Upon the receipt of letter of award or letter of acceptance, we will start the execution of our projects, which includes formation of project management team, review and finalisation of specific project equipments, source of construction materials and engage relevant suppliers and subcontractors, and schedule the delivery arrangement of construction materials and required machinery and equipments to the construction site.

Formation of project management team

Upon the award of contract by our customers, a specific project management team would be formed, the size of which depends on the scale and complexity of works undertaken. Our project management team generally includes the following core members: project manager, site agent, quantity surveyor, engineer, safety officer and foreman. Set forth below are their corresponding responsibilities:

Position	Responsibilities
Project manager	<ul style="list-style-type: none">a. communicating with other members of the project management team on the project status;b. reviewing the progress report and site daily record prepared by our engineer; andc. liaising with subcontractors for the works conducted by subcontractors.
Site agent	<ul style="list-style-type: none">a. inspecting fieldworks including monitoring the work progress; andb. communicating with our foreman about each project's detail operations.
Quantity surveyor	<ul style="list-style-type: none">a. inspecting the work progress on the site;b. checking with our project manager for understanding the updated progress status; and

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	c. preparing the payment application.
Engineer	preparing the site daily record to properly record (i) the number of workers; and (ii) description of works both performed by our workers or subcontractors.
Safety officer	a. ensuring our workers and subcontractors are following the established safety policies and regulations; and b. helping to create safer construction sites.
Foreman	supervising our workers and subcontractors on site.

Our project management team is responsible for overseeing the project execution, identifying on-site issues, seeking for possible remedial actions and reporting working progress on a regular basis. Our executive Directors and senior management will closely monitor our projects by having regular on-site meeting with our customers, project management team, subcontractors and suppliers to ensure we have complied with all statutory requirements and delivery of work done will be in accordance with timeframe and our customers' requirement in order to mitigate the risk of delay in completing our projects.

Review and finalisation of specific project requirements

We need to carry out building construction works or RMAA works according to the designs and work plans as set out in the tender documents as well as our customers' requirement. We generally are not required to offer advices to our customers for their design and work plans. From time to time, our project management teams review and clarify the specific project requirements with our customers, give feedback to our customers and tackle any potential problems in each individual project.

Sourcing of materials and engagement of subcontractors

We maintain our internal list of approved suppliers and subcontractors, which is updated on an ongoing basis. During the preparation of tendering documents, we may obtain preliminary quotations from our construction materials suppliers and subcontractors to facilitate our cost estimations. If our customers award the contracts to us, we will proceed to engagement and further negotiate the contract term with our suppliers and subcontractors throughout the project.

Generally, we do not usually keep any construction material, but determine the quantity of materials to be stored based on the work schedule, and place purchase orders based on the specific needs of each construction project. Our suppliers would deliver to and store the construction materials in the corresponding construction sites for direct utilisation. Upon arrival of the construction materials, we may conduct quantity check and send the materials to relevant or designated laboratories for quality check, depending on the requirement by our customers.

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We engage our subcontractors on a contract by contract basis and therefore we have not entered into any long term agreements with our subcontractors. In some of our projects, we may enter into pre-bid agreements with specific subcontractors when we prepare tender documents and fix their contract price to mitigate future possible increase in subcontracting fee. We may also appoint subcontractors nominated by our customers to carry out certain specific parts of the project under the construction contracts.

Management and supervision of our works in construction sites

Our project management team is responsible for monitoring the progress of our project execution and ensuring that the quality of our works and that of our subcontractors conform to our customers' specification. Our Group has established a quality management system which is in compliance with the requirements of ISO 9001:2015. For further information, please refer to the paragraph headed "Quality management" in this section.

In addition to our management system, we utilise the building information modelling (i) to generate three-dimensional projection and modelling of our projects which can prevent conflicting designs and identify design faults at an early stage; and (ii) to facilitate in project management by monitoring the construction progress. We also apply aerial technology to assist the supervision of our works in construction sites.

Issuance of progress payments by our customers and to our subcontractors

Under the construction contracts, we submit monthly payment application, and our customers normally make monthly progress payments with reference to progress payment certificate which indicate the amount of work done in the preceding month certified by the consultants appointed by our customers. It usually take one month from our payment application to the issuance of progress payment certificate, and our credit period with customers ranges from 14 to 45 days after issuance of progress payment certificate.

Our customers normally retain 10% of each monthly progress payment, and in aggregate subject to a maximum limit of 5% of the total contract sum as retention money. In general, the first half of the retention money will be released upon the practical completion of project and the remaining half will be released upon issuance of certificate of maintenance of the construction project.

Our subcontractors submit payment request to us on a monthly basis according to works executed under the assigned tasks. Taking into account the complexity of works, our project manager will assess and verify the executed works before settlement, net of the agreed amount of retention money in the subcontract. Payments are generally made within one month after our approval of the subcontractor's submission of payment request. The retention money from subcontractors is normally 10% of each progress payment, in aggregate subject to maximum retention of 5% of the contract sum of the subcontract, depending on the nature of the subcontract works being involved.

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Project completion

Issuance of certificate of practical completion, reparation of defects, issuance of certificate of maintenance and issuance of final account

Upon substantial completion of our projects, the consultants appointed by our customers will issue a certificate to confirm the practical completion of our works under the contract without apparent defects. Upon the issuance of certificate of practical completion, our customers will release half of the retention money to us.

The issuance of certificate of practical completion marks the commencement of the defects liability period, which generally ranges from 12 to 24 months, during which period we are liable to the rectification work on construction defects subsequently identified by our customers. For RMAA works projects, the defects liability period can be up to 60 months.

At the end of the defects liability period, our customer would issue certificates of maintenance to confirm that our obligations of rectification have been completed. Upon the issuance of certificate of maintenance, our customers usually release the remaining retention money to us.

After the defects liability period, our project management staff will follow up with customers with regards to any variation order made and reach settlement on the final accounts.

KEY PROJECT TERMS

We generally enter into construction contracts with our customers upon the acceptance of our tender. Our awarded construction contracts are typically on a project-by-project basis and of non-recurring nature. Key terms of the contracts between our Group and our customers include contract sum, payment term, retention money, the scope of work, defects liability period, variation orders, liquidated damages, performance bond and insurance.

Contract sum

For one-off projects, including both building construction works projects and RMAA works projects, the agreed contract sum varies across projects depending on the scale and complexity of works and may be subject to change in accordance with subsequently issued variation orders from our customers.

For term contracts for our maintenance projects which were entered into with various departments of the Government, the contract sum is not specified in the agreement. Only the standard rates for different type of works which make reference to the schedule of rates are stipulated in the term contracts. The details of the work are stipulated on different work orders which are issued by the customers and the amount is dependent on the type and amount of work as stipulated in the relevant work orders. When we determine the tender price for a term contract, our management will have a preliminary estimation of the value of work orders to be received and the corresponding costs to be incurred for a particular project with reference to the corresponding tender document issued by the relevant customers.

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For further details on our pricing strategy, please refer to the paragraph headed “Pricing strategy” in this section.

Progress payment

For most of our building construction works and RMAA works projects, we submit interim payment application for our estimation on gross valuation of work performed in the preceding month and receive monthly progress payment from our customers upon the issuance of payment certificate by the consultants appointed by our customers. It is usually agreed in the contracts that our credit period with customers ranges from 14 to 45 days after issuance of progress payment certificate. For further information, please refer to the paragraph headed “Execution of our projects — Issuance of progress payments by our customers and to our subcontractors’ in this section.

Retention money

For most of our building construction works contracts, it is our customers’ practice to retain about 10% of each progress payment, in aggregate subject to maximum retention of 5% of the total contract sum. Half of the retention money would be released upon practical completion and the remaining half would be released upon the issuance of certificate of maintenance. As at 31 December 2018, retention receivables held by our customers amounted to approximately HK\$498.6 million.

Defects liability period

It is a common practice in the construction industry to include defects liability period clauses in both the main contract and subcontracts so we, as the main contractor, and our subcontractors are responsible for remedying any defects during the relevant post-completion period. The defects liability period generally ranges from 12 to 24 months from the date of issuance of certificate of practical completion by our customers. For some RMAA works projects, the defects liability period is up to 60 months from the date of issuance of certificate of practical completion.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, save for two projects in which we recorded loss after completion, we received no significant complaint or claim from our customers in the relevant defects liability period of our projects and the cost incurred for remedying defective works was not material. For further details on the loss-making projects, please refer to the paragraph “Pricing strategy” in this section.

Variation orders

Variation orders are issued by our customers and agreed by us in both building construction works and RMAA works projects. Such orders seek to change specifications, amount and scope of works stipulated in the original contracts. As a result, the original agreed contract sum may be adjusted in accordance with varied terms in such orders. The rights and obligations under the variation orders will be the same as those under the contracts. Where the works under the variation order is the

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same or similar to the works prescribed in the contract, the rate of the works under the variation order usually accord with the provision of schedule of rates in the contracts. If there was no equivalent or similar items under the construction contracts for reference, we will further agree upon the adjustment in contract price with our customers. For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, our revenue generated from the variation orders were approximately HK\$134.5 million, HK\$140.0 million, HK\$304.9 million and HK\$56.8 million, respectively.

Liquidated damages

Liquidated damages clauses are commonly found in building construction works contracts undertaken by main contractors. It usually requires us as main contractors to provide a stipulated sum of compensation to our customers in event of any undue delay to our projects. In respect of our liability in this regard, there is usually a time extension clause to be inserted into the contract to the effect that time may be extended if project delay is caused or expected as a result of uncontrollable events such as severe weather conditions. As confirmed by our Directors, we have not been required to pay material liquidated damages in our projects undertaken during the Track Record Period.

Performance bond

In some of our projects, our customers may wish to secure our due performance of the contracts by requesting us to obtain a performance bond from a bank for an amount up to 10% of the contract sum. At 31 December 2016, 2017 and 2018 and 31 March 2019, approximately HK\$622.2 million, HK\$748.3 million, HK\$930.5 million and HK\$932.8 million, respectively of performance bonds were given by banks in favour of our customers as security for the due performance and observance of our obligation under the contracts entered into between us and our customers. If our Group fails to provide satisfactory performance to our customers to whom performance bonds have been given, such customers may demand, and the Group will then become liable to compensate such bank accordingly.

Insurance

In general, our customers require us to purchase various insurance policies including contractors' all risk insurance, employees' compensation insurance, third party liability insurance, for us and our subcontractors. For further details on the insurance policies, please refer to the paragraph headed "Insurance" in this section.

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OUR SUPPLIERS

As at the Latest Practicable Date, we had over a hundred internally approved suppliers who provide (i) construction material; (ii) machinery rental service; and (iii) other construction site services. The construction materials we purchased during the Track Record Period mainly included concrete and steel reinforcement bar. Both potential and approved suppliers are shortlisted and reviewed from time to time with reference to criteria including, among others, (i) quality of materials, machinery or services provided; (ii) punctuality in delivery; and (iii) reputation. We generally maintain multiple suppliers for products and services to avoid over-reliance on a single or a few suppliers. When we place purchase order of construction materials or services, unless the customers require us to select from suppliers nominated by them, we select from our approved suppliers based on factors such as the specific requirements for the project and the price quotation. Generally, upon the project being awarded to us, we may order materials or services from our suppliers in advance, depending on the type of materials or services required and progress of the project. We engaged our suppliers on contract by contract basis, and have not entered into any long-term supply agreements with any of our suppliers. We are flexible to engage alternative suppliers to supply different kinds of construction materials and services.

Our suppliers generally grant a 30-day credit period to us from the date invoice is issued. We usually settle the payables to our suppliers by cheque in Hong Kong dollars. During the Track Record Period, we have not experienced any material shortage or delay in our supplier's delivery of materials which would significantly disrupt our works. Please refer to the section headed "Financial information — Principal components of consolidated statements of profit or loss — Contract costs" in this prospectus for our material costs and other costs.

For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, purchase from our largest supplier accounted for approximately 21.7%, 13.7%, 9.5% and 20.2% of our total purchase from suppliers respectively, while purchase from our five largest suppliers in aggregate accounted for approximately 48.4%, 52.2%, 43.8% and 44.5%, of our total purchase from suppliers in the corresponding periods, respectively.

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A breakdown of our five largest suppliers during the Track Record Period is set out below:

For the year ended 31 December 2016

Rank	Supplier	Background of supplier	Approximate purchase amount (HK\$' million)	Approximate % of our total purchase from suppliers	Main materials supplied or services provided	Approximate years of business relationship
1	Supplier A ^(Note)	A concrete supplier in Hong Kong; a wholly owned subsidiary of a company listed in Hong Kong	35.0	21.7	Concrete, mortar and cement	10
2	Supplier E	A private steel products supplier in Hong Kong	20.0	12.4	Steel reinforcement bar	6
3	Hip On Concrete (H.K.) Limited (協安混凝土(香港)有限公司)	A private concrete supplier in Hong Kong	14.7	9.1	Concrete	4
4	Supplier H	An engineering services and machinery hiring company in Hong Kong; a subsidiary of a company listed in Hong Kong	4.5	2.8	Rental of machineries	10
5	Supplier B	A steel products supplier in Hong Kong	3.8	2.4	Steel reinforcement bar	10
Five largest suppliers combined			<u>78.0</u>	<u>48.4</u>		

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For the year ended 31 December 2017

Rank	Supplier	Background of supplier	Approximate purchase amount (HK\$' million)	Approximate % of our total purchase from suppliers	Main materials supplied or services provided	Approximate years of business relationship
1	Supplier C	A steel products supplier in Hong Kong; a wholly owned subsidiary of a company listed in Hong Kong	51.4	13.7	Steel reinforcement bar	9
2	Supplier I	A concrete supplier in Hong Kong; a subsidiary of a listed company in Hong Kong	50.0	13.3	Concrete	4
3	Supplier E	A private steel products supplier in Hong Kong	42.5	11.3	Steel reinforcement bar	6
4	Supplier A <i>(Note)</i>	A concrete supplier in Hong Kong; a wholly owned subsidiary of a listed company in Hong Kong	31.3	8.3	Concrete, mortar and cement	10
5	Globe Star Steel Company Limited (環星鋼鐵有限公司) ("Globe Star")	A private steel products supplier in Hong Kong	21.2	5.6	Steel reinforcement bar	3
Five largest suppliers combined			196.4	52.2		

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For the year ended 31 December 2018

Rank	Supplier	Background of the supplier	Approximate purchase amount (HK\$ million)	Approximate % of our total purchase from suppliers	Main materials supplied or services provided	Approximate years of business relationship
1	Supplier E	A private steel products supplier in Hong Kong	38.8	9.5	Steel reinforcement bar	6
2	Globe Star	A private steel products supplier in Hong Kong	38.3	9.3	Steel reinforcement bar	3
3	Supplier I	A concrete supplier in Hong Kong; a subsidiary of a listed company in Hong Kong	35.3	8.6	Concrete	4
4	Supplier C	A steel products supplier in Hong Kong; a wholly owned subsidiary of a company listed in Hong Kong	34.7	8.5	Steel reinforcement bar	9
5	Supplier K	A concrete supplier in Hong Kong; a wholly owned subsidiary of a listed company in Hong Kong	32.5	7.9	Concrete	5
Five largest suppliers combined			<u>179.6</u>	<u>43.8</u>		

Note: Supplier A is a fellow subsidiary of China Resources, who is one of our customers. For further details, please refer to the paragraph headed “Our customers – Major customer who was also our major supplier and our subcontractor” in this section.

For the three months ended 31 March 2019

Rank	Supplier	Background of the supplier	Approximate purchase amount (HK\$ million)	Approximate % of our total purchase from suppliers	Main materials supplied or services provided	Approximate years of business relationship
1	Supplier E	A private steel products supplier in Hong Kong	16.5	20.2	Steel reinforcement bar	6
2	Supplier L	A construction materials supplier which include tile adhesive tile grouts and thermal insulation	5.6	6.9	Tile fix	10
3	Supplier C	A steel products supplier in Hong Kong; a wholly owned subsidiary of a company listed in Hong Kong	5.3	6.5	Steel reinforcement bar	9

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Rank	Supplier	Background of the supplier	Approximate purchase amount (HK\$ million)	Approximate % of our total purchase from suppliers	Main materials supplied or services provided	Approximate years of business relationship
4	Supplier I	A concrete supplier in Hong Kong; a subsidiary of a listed company in Hong Kong	5.2	6.4	Concrete	4
5	Supplier K	A concrete supplier in Hong Kong; a wholly owned subsidiary of a listed company in Hong Kong	3.7	4.5	Concrete	5
Five largest suppliers combined			<u>36.3</u>	<u>44.5</u>		

During the Track Record Period, (i) none of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors, owned more than 5% of our issued share capital), had any interest in any of our five largest suppliers; and (ii) all of our five largest suppliers were independent third parties.

OUR SUBCONTRACTORS

According to the CIC Report, it is the industry practice for main contractors to focus on the overall project management and supervision, formulation of working systems, coordination and communication with various parties. In order to allocate resources efficiently, it is customary for main contractors to subcontract on-site physical works to their respective approved subcontractors, including but not limited to foundation works, general building works, granite works and fitting out works. Consistent with the industry practice, we subcontract all our on-site works to nominated subcontractors or our domestic subcontractors and are responsible for the site supervision, management of subcontractors and overall project management. In relation to building construction works, we engage subcontractors on a contract by contract basis, by trades of work in the projects such that normally each subcontractor is only responsible for one trade of work and can decide if further subcontracting is necessary. Thus, we have not entered into any long term agreements with our subcontractors.

As at the Latest Practicable Date, we had over a thousand subcontractors which are internally approved and shortlisted from time to time with reference to factors such as (i) recent performance of the subcontractor; (ii) resources and skills of the subcontractor; (iii) standard and certification of quality assurance systems implemented by the subcontractor; and (iv) possession of requisite licenses, permits and registrations for the subcontractor's service. It is our practice to select and engage subcontractors from the internally approved list of subcontractors with reference to factors including specific requirements for the project and price quotations. To avoid over-reliance on a few subcontractors to perform tasks which require specific techniques or registrations, we maintain multiple subcontractors on common expertise on our approved list of subcontractors, and thus, we are flexible to engage alternative subcontractors to take up part of our works.

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Upon identifying a project which our Group is interested to tender for, we will give details such as drawings and specifications of the project to the selected subcontractors in order to obtain quotation for the works that will be delegated to them. In some of our projects, we may enter into pre-bid agreements with our subcontractors that our subcontractors would provide us with a fixed amount of cost, upon the condition that we would engage them if our tender bid is successful. In the other projects, upon the project being awarded to us, we will negotiate the terms of the engagement with the selected subcontractors.

The standard subcontracting agreement stipulates the requirement for the subcontractors to adhere to all requirements and provisions set out in the tender document of the project. We are responsible to our customers for the performance of our subcontractors. We may also be liable to any potential personal injuries claims and employee compensation claims from the employees of the subcontractors. Thus, when a project is in the stage of implementation, our project managers closely supervise the progress and quality of works undertaken by our engaged subcontractors. Further, our technical staff members regularly visit the relevant project site in order to ensure compliance with all applicable safety, environment and other requirements by our subcontractors. We review the works of our subcontractors and complete appraisal forms for our internal record every six months.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints from and default in payments by our customers in relation to the work and performance of our subcontractors.

Major terms of subcontracting agreement

We enter into subcontractor agreements with our subcontractors on a project by project basis. Set forth below is some of the major clauses in our standard subcontractor agreement:

- | | |
|-----------------------------|---|
| (i) Term of payment | : The subcontractors either submit interim invoices to us or directly to our customers on behalf of us monthly according to the subcontracting agreement. In some of our projects, it is stipulated under the subcontracting agreement that the customers will make payments to us and we will make payments to our subcontractors less retention money and/or management fee, if any, while in other projects we will make payments to our subcontractors less retention money within a specific period of time. |
| (ii) Retention money | : Retention money is retained by us from each interim payment made to the subcontractors, normally being 10% of each interim payment and in aggregate subject to a maximum limit of 5% of the contract sum. |

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- (iii) **Rights and obligation of the subcontractors** : (i) subcontractors should complete their designated works on schedule unless otherwise agreed by us;
- (ii) unless otherwise agreed by us, subcontractors should supply their own materials, machineries, tools, which comply with relevant Hong Kong laws and requirements of the architects and engineers of the projects;
- (iii) subcontractors should comply with our customer's specifications and drawings as well as all relevant Hong Kong compliance requirements; and
- (iv) subcontractors are not allowed to assign their interests or subcontract out the subcontract work to third parties without our prior written consent.
- (iv) **Defects liability period** : The defects liability period ranges from 12 to 24 months from the date of issuance of certificate of practical completion by our customers.
- (v) **Liquidated damages** : Subcontractors should provide a sum of compensation to us if they do not complete the specified works in accordance to the terms stipulated in the contract.
- (vi) **Renewal/termination of the contracts** : We have full discretion to employ any other subcontractors to carry out the specified works.

For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, our subcontracting fees amounted to approximately HK\$2,106.9 million, HK\$2,301.9 million, HK\$3,860.6 million and HK\$898.5 million, respectively, representing approximately 85.8%, 77.4%, 83.4% and 84.6% of our contract costs in the same periods.

For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, our largest subcontractor accounted for approximately 10.8%, 6.9%, 5.5% and 5.2% of our total subcontracting fees respectively, while our five largest subcontractors in aggregate accounted for approximately 26.3%, 24.2%, 23.1% and 21.6% of our total subcontracting fees in the same respective periods.

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A breakdown of our five largest subcontractors for the corresponding periods during the Track Record Period is set out below:

For the year ended 31 December 2016

Rank	Subcontractor	Background of subcontractor	Approximate amount of subcontracting fees (HK\$' million)	Approximate % of our total subcontracting fees	Main subcontracted services	Approximate years of business relationship
1	Subcontractor H	A contractor engaging in data centre design and construction in Hong Kong	227.5	10.8	Building services	5
2	Subcontractor C	A contractor engaging in repair and maintenance works in Hong Kong	122.4	5.8	General building works	7
3	Win Win Way	A contractor engaging in foundation works, ancillary services and general building works; a wholly owned subsidiary of a company listed in Hong Kong	72.8	3.5	Foundation works	6
4	Subcontractor K	A contractor engaging in design, manufacture and installation of aluminum structure in Hong Kong	66.1	3.1	Aluminium works	10
5	Subcontractor E	A engineering contractor engaging in mechanical, air-conditioning services and drainage works in Hong Kong; a wholly owned subsidiary of a company listed in Hong Kong	65.2	3.1	Air conditioning installation works	5
Five largest subcontractors combined			554.0	26.3		

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For the year ended 31 December 2017

Rank	Subcontractor	Background of subcontractor	Approximate amount of subcontracting fee (HK\$' million)	Approximate % of our total subcontracting fee	Main subcontracted services	Approximate years of relationship with us
1	Subcontractor K	A contractor engaging in design, manufacture and installation of aluminium structure in Hong Kong	159.6	6.9	Aluminium works	10
2	Subcontractor G	A contractor engaging in earthworks and environmental remediation works in Hong Kong	145.7	6.3	Formwork	9
3	Wing Kei Structural Metalworks Company Limited (永基金屬結構工程有限公司)	A contractor engaging in metal structural works in Hong Kong	104.7	4.5	Structural steel works	6
4	Subcontractor P	A company provides design, supply, installation and operation, maintenance service of mechanical, ventilation and air-conditioning services, electrical plumbing and drainage services, etc. in Hong Kong	75.4	3.3	Heating, ventilation, and air conditioning installation services	4
5	Hoi Cheung Engineering Company Limited (海祥工程有限公司)	A contractor engaging in earthwork in Hong Kong	73.9	3.2	Earthwork	4
Five largest subcontractors combined			<u>559.3</u>	<u>24.2</u>		

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For the year ended 31 December 2018

Rank	Subcontractor	Background of subcontractor	Approximate amount of subcontracting fee (HK\$ million)	Approximate % of our total subcontracting fee	Main subcontracted services	Approximate years of business relationship
1	Subcontractor S	A contractor engaging in mechanical electrical installation for buildings in Hong Kong; a wholly owned subsidiary of a company listed in Hong Kong	213.3	5.5	Mechanical and electrical works	1
2	Subcontractor T	A contractor engaging in mechanical & electrical fitting out works for buildings in Hong Kong	202.7	5.3	Fitting out works	1
3	Subcontractor Q	A contractor engaging in installation of curtain wall in Hong Kong	201.3	5.2	Curtain wall installation works	2
4	Subcontractor G	A contractor engaging in earthworks and environmental remediation works in Hong Kong	138.0	3.6	Formwork	9
5	Subcontractor U	A contractor engaging in mechanical & electrical installation for buildings in Hong Kong	136.4	3.5	Mechanical and electrical works	1
Five largest subcontractors combined			<u>891.7</u>	<u>23.1</u>		

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For the three months ended 31 March 2019

Rank	Subcontractor	Background of the subcontractor	Approximate amount of subcontracting fee (HK\$ million)	Approximate % of our total subcontracting fee	Main subcontracted services	Approximate years of business relationship
1	Subcontractor S	A contractor engaging in mechanical electrical installation for buildings in Hong Kong; a wholly owned subsidiary of a company listed in Hong Kong	47.0	5.2	Mechanical and electrical works	1
2	Subcontractor V	A contractor engaged in interior fitting out, contracting service and building maintenance	40.4	4.5	Sundries works	10
3	Subcontractor W	A contractor engaging in electrical work and services.	37.9	4.2	Electrical Installation	6
4	Subcontractor K	A contractor engaging in design, manufacture and installation of aluminum structure in Hong Kong	36.2	4.0	Aluminium works	10
5	Subcontractor G	A contractor engaging in earthworks and environmental remediation works in Hong Kong	33.6	3.7	Formwork	9
Five largest subcontractors combined			<u>195.1</u>	<u>21.6</u>		

During the Track Record Period, (i) none of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors, owned more than 5% of our issued share capital), had any interest in any of our five largest subcontractors; and (ii) all of our five largest subcontractors were independent third parties.

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OUR MACHINERY

As at 31 March 2019, we maintained a fleet of about 50 machineries for performing different types of building construction works and RMAA works. We mainly purchased our machinery from dealers in Hong Kong and we believe that our investment in machinery has placed us in a position to cater for building construction works and RMAA works of different scale and complexity and to meet the expected growing demand in the construction industry in Hong Kong in the foreseeable future.

The following table sets out our principal machinery:

Principal type	Function and usage	Example
Lifting machinery	Hoisting heavy objects in construction sites	Tower crane, crane lorry, material hoist
Earth moving machinery	Moving earth in construction sites	Loader
Material handling machinery	Raising heavy objects and move around	Forklift
High reach machinery	Providing access in high inaccessible area	Passenger hoist

The following table sets out the details of our machineries by type as at 31 March 2019:

Machinery	Number of units	Useful life (years)	Average age (years)	Acquisition costs (HK\$' million)	Net book value (HK\$' million)
Lifting machinery	15	5-10	6.5	15.1	7.3
Earth moving machinery	2	5	6.2	0.6	nil
Material handling machinery	6	5	3.07	1.1	0.5
High reach machinery	2	5	11.3	1.0	nil
Others <i>(Note)</i>	24	5	9.2	0.7	0.2
Total	49			18.5	8.0

Note: Others included generator, wastewater treatment system, filtration tank, weighing system and containers.

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According to the accounting policy of our Group, the estimated useful life of our machinery ranges from five to ten years and we use “straight-line” method to calculate depreciation of our machinery.

Where the use of specific machinery is required in performing the works delegated to our subcontractors, our subcontractors may be responsible for providing such machinery and appropriate technicians for operation. In general, they are contractually required to ensure that all machinery used complies with the relevant statutory safety requirements and our subcontractors are covered in our employees’ compensation and contractors’ all risks insurance.

During the Track Record Period, in addition to our own machineries, we also rented machinery, which mainly included tower cranes, from external parties. For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, the total machinery rental cost incurred were approximately HK\$16.1 million, HK\$38.9 million, HK\$46.6 million and HK\$9.2 million, respectively.

In general, machineries that are in use at work sites are kept under the general management of the respective work sites and those not in use are stored in our warehouse located in Yuen Long.

Due to the nature of our business and operations, it is not feasible and not practicable to quantify and disclose detailed utilisation rate of our machinery for the following reasons:

- (i). different projects require different types of machinery depending on their functions and it is therefore not entirely feasible to quantify the capacity of each piece of machinery by making reference to an objective and comparable scale or standard of measurement;
- (ii). the utilisation rate of individual machinery cannot be clearly defined. A typical building construction or RMAA project requires the use of different machinery at different stages, and machinery from time to time is left unused in active construction sites pending completion of other stages. Machinery is also sometimes left unused for repairing or maintenance at work sites or at our warehouse; and
- (iii). our Group maintained a fleet of about 50 machineries of various sizes and capacity. Given the number of machinery owned by our Group, it is impracticable for our Group to track in details the usage of each individual piece of machinery.

In view of the above, it would be difficult and even impracticable to define or quantify the accurate utilisation rate of machinery in general and to make a full account of the daily or hourly usage of each individual piece of machinery. However, our Directors and management do monitor the overall deployment of our machinery in each of our construction sites. We assess the current utilisation and anticipate the need for different types of machinery and formulate acquisition plan based on the status of the projects on hand, the number of the projects and their specific requirements, and the assessment on the availability and condition of the existing machineries. Based on our best estimation and information available to us as at the Latest Practicable Date, our Directors are of the view that all of the machineries were utilised in majority of the time during the Track Record Period.

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QUALITY MANAGEMENT

An effective and comprehensive quality management system is crucial to our success as it ensures our works are always of high quality and in conformity with all requirements specified by our customers. Our quality management system is set up with clear procedural guidelines and industrial standards, which has been accredited with ISO 9001 by HKQAA in June 1993. A brief overview of our quality assurance measures is set out below:

- consistently providing services that meets our customer's expectation and applicable regulatory requirement;
- establishing business partnership with our customers to work effectively to deliver the construction services;
- identifying, understanding and satisfying the needs and expectations of our customers;
- setting clear defined objectives and targets to satisfying our customers' needs in an effective way;
- bringing added value through contributions and fully resourced teams of personnel and subcontractors; and
- achieving, maintaining and continually improving overall organisational and personal performance standards and capabilities using new ideas, innovations and feedback.

Our project managers bear the responsibility to monitor the overall progress and quality of works undertaken by us and our subcontractors in light of the contract works delegated to them. It is the routine of our project managers to discuss quality issues with our subcontractors and give instructions to remedy any defects identified in their works. If any of our subcontractors cannot comply with our quality handbook or instructions to our satisfaction, we may issue a warning to them through site memo and remove them from our approved list of subcontractors.

In addition, we also value the involvement of our customers in the quality control process. Prior to making payments, our customers inspect the quality of our works and our project management team take note of their feedbacks and suggestions for improvements so that we can meet or exceed their expectations and requirements in future projects.

ENVIRONMENTAL COMPLIANCE

As a main contractor in the building construction works and RMAA works industries, we are required to comply with the relevant laws and regulations in Hong Kong governing environmental matters such as air pollution control, noise control, water pollution control and waste disposal. For further details on the applicable environmental laws and regulations, please refer to the section headed "Regulatory overview" in this prospectus.

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In our Director's opinion, it is part of our social responsibility as a main contractor in building construction works and RMAA works to safeguard the environment from pollutions that may arise in the performance of our works and our subcontractors' works. Therefore, we have implemented an environmental management system, which has been accredited by ACIL with ISO 14001: 2004 certification to raise the environmental awareness of our employees and minimise risks of pollution or contamination of the environment on the relevant project sites. A brief overview of our quality assurance measures is set out below:

- carrying out the construction works in compliance with all relevant environmental regulatory and statutory requirements and the contractual requirements with our customers;
- adopting innovative construction technologies and effective utilisation of resources to prevent pollution, minimising wastage and conservation of resources;
- educating our employees and subcontractors to enhance environmental awareness; and
- seeking continuous improvement in environmental performance by setting appropriate objectives and goals.

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

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation came into effect on 1 June 2015 to introduce regulatory control on the emission of non-road mobile machinery (the "NRMMs"), including non-road vehicles and regulated machines such as crawler cranes, excavators and air compressor. For further details of the NRMM requirements, please refer to the section headed "Regulatory overview — B. Laws and regulations in relation to environmental protection — Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (311Z of the Laws of Hong Kong)" in this prospectus. Starting from 1 June 2015 and up to the Latest Practicable Date, our Group has obtained approval or exemption for all of our machines that are subject to the NRMM regulation.

For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, the costs of environmental compliance amounted to approximately HK\$3.5 million, HK\$6.1 million, HK\$11.7 million and HK\$2.8 million respectively, which primarily consisted of construction waste disposal charges. Our Directors consider that our costs of environmental compliance have been and will continue to be consistent with our scale of operation.

As confirmed by our Directors and advised by our Legal Counsel, we did not have any material or systemic non-compliance incident nor were we subject to any prosecution under relevant environmental laws and regulations in Hong Kong the nature of which was material during the Track Record Period and up to the Latest Practicable Date.

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WORK SAFETY

It is our commitment to provide a safe and healthy working environment for our employees and employees of our subcontractors. To minimise the risk and occurrence of workplace accidents and comply with the applicable work safety laws and regulations in Hong Kong, we have implemented various safety and health measures across different levels of our operations.

With a view of enhancing the awareness of work safety and occupational hazards in the construction industry, we have in place a safety manual which sets out various safety measures and work instructions for our employees and our subcontractors to avoid conventional accidents in construction sites. We have also established an occupational safety and health management system, which is certified to be compliance with OHSAS 18001:2007 by HKQAA, dedicated to the promotion of safe work practices and the prevention of potential adverse impact.

In addition, it is our practice to prepare a safety plan tailored to each individual project. The purpose of a project-specific safety plan is to (i) assess and identify risks associated with activities and on-site environment of each project and (ii) formulate appropriate measures and instructions for implementation by our compliance department as well as a team of safety officers and supervisors who are also appointed on a project by project basis. The said team of safety officers and supervisors are all registered in the Labour Department and are responsible for reviewing and improving safety measures on the relevant construction site.

In the event of any accidents, we require our workers to report the accident to the team within two hours after the accident and the team will investigate the accident and prepare a report, which documents the details and causes of occurrence in writing together with photographs of the accident scene, within 72 hours to a week depending on the seriousness of the accident.

Our project managers and executive Directors regularly meet with each project's safety team to discuss any occurred accidents and determine if additional safety measures are necessary to prevent re-occurrence of the relevant accidents.

During the Track Record Period, we engaged registered safety auditors for the purpose of conducting safety audits on our safety management system on a semi-annual basis in accordance with the requirements of the Factories and Industrial Undertakings (Safety Management) Regulations. In the course of the safety audits, the safety auditors (i) conducted physical inspection on selected sites to assess if our established safety management system was implemented in accordance with the relevant laws and regulations in Hong Kong; (ii) conducted interview with personnel selected from different levels; (iii) obtained documents for review to assess the adequacy and effectiveness of our safety management system; and (iv) suggested areas of improvements and recommendations on our safety management system. Upon completion of the safety audits, the safety audit reports were submitted to our safety manager and executive Directors for review and then submitted to the Labour Department. Our Directors confirmed that no material deficiencies in relation to workplace safety has been identified by the safety auditors and our safety management system had continually fulfilled the relevant safety regulations in all material respects.

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During the Track Record Period and up to the Latest Practicable Date, there were a total number of 180 accidents which involved our employees and employees of our subcontractors on our construction sites in the ordinary course of our business. The table below sets forth the number of personal injury and fatal reported accidents during the Track Record Period and up to the Latest Practicable Date:

	Number of personal injury accidents reported	Number of fatal accidents
For the year ended 31 December 2016	28	nil
For the year ended 31 December 2017	48	nil
For the year ended 31 December 2018	71	nil
For the three months ended 31 March 2019	17	1
From 1 April 2019 to the Latest Practicable Date	<u>16</u>	<u>1</u>
Total	<u><u>180</u></u>	<u><u>2</u></u>

The table below sets out the information relating to the accidents and their respective follow-up safety measures during the Track Record Period and up to the Latest Practicable Date:

Nature of accidents	Number of accidents
Injured when lifting or carrying	32
Slipped and fell	72
Struck by object	26
Contact with moving machinery or object	16
Others	<u>34</u>
Total	<u><u>180</u></u>

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The table below compares the average rate of accident and fatality per 1,000 workers of the Hong Kong construction industry and our construction sites for the calendar years ended 31 December 2016, 2017 and 2018 (if any):

	Hong Kong construction industry <i>(Note 1)</i>	Our construction sites <i>(Note 2)</i>
For the year ended 31 December 2016		
• Accident rate per 1,000 workers	34.5	8.6
• Fatality rate per 1,000 workers	0.093	nil
For the year ended 31 December 2017		
• Accident rate per 1,000 workers	32.9	19.7
• Fatality rate per 1,000 workers	0.0185	nil
For the year ended 31 December 2018		
• Accident rate per 1,000 workers	Not yet available	18.2
• Fatality rate per 1,000 workers	Not yet available	nil
For the three months ended 31 March 2019		
• Accident rate per 1,000 workers	Not yet available	4.4
• Fatality rate per 1,000 workers	Not yet available	0.2

Notes:

- (1) The statistics are published by Occupational Safety and Health Branch of the Labour Department of the Government in the Occupational Safety and Health Statistics Bulletin Issue No. 18 (August 2018).
- (2) Our accident and fatality rates are calculated on the same basis with that of the Labour Department which is the number of work injury accidents resulting in incapacity for work over 3 days or death, divided by the number of daily average site workers (inclusive of our employees and employees of subcontractors) during the corresponding periods indicated above times 1,000.

As at the Latest Practicable Date, we were subject to employees' compensation claims and personal injuries claims arising from industrial accidents. For further details on these claims, please refer to the paragraph headed "Legal proceedings and claims" in this section.

Fatal accident happened in March 2019

In March 2019, a fatal accident occurred at the site of N.K.I.L. 6514 Kwun Tong Town Centre, Kowloon, Hong Kong (the "**Kwun Tong Site**"), at which our Group was engaged to provide building construction works. One construction worker, being an employee of a subcontractor of our Group, sustained fatal injury during the course of work. It was suspected that the worker was hit by a wooden plank which fell down from height when performing plastering works on the bamboo scaffolding working platform at the Kwun Tong Site (the "**Kwun Tong Accident**").

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After the occurrence of the Kwun Tong Accident, our Group had followed the proper procedures including making necessary filing with the Labour Department and notifying the relevant insurer. In light of the Kwun Tong Accident, the Labour Department issued a temporary suspension notice (the “**Kwun Tong Suspension Notice**”) in accordance with the Occupational Safety and Health Ordinance to our Group on 2 March 2019, pursuant to which external wall works at the Kwun Tong Site shall be suspended until further notice and/or revocation of the notices.

In view of the Kwun Tong Accident, our Group has engaged an independent registered safety auditor to carry out safety audit on our safety measures and procedures, to review the Kwun Tong Accident and to provide recommendations to prevent the recurrence of similar accident. We had submitted a work resumption proposal to the Labour Department in response to the Kwun Tong Suspension Notice. The Labour Department had revoked the Kwun Tong Suspension Notice on 29 March 2019 and we had resumed the relevant works accordingly.

Our Group had been taking out valid employees’ compensation insurance to cover the risk of injury or death sustained in the course of employment for our employees. Upon due enquiry, the relevant insurance company has confirmed us that (i) the Kwun Tong Accident is within the ambit of Employee’s Compensation Ordinance covered under the relevant policy and the policy limit is HK\$200 million for any one accident; (ii) if there is any other insurance covering the same liability, the insurance company will be liable for its ratable proportion of the claim and costs and expenses; and (iii) if there is no other insurance policy indemnifying our Group, indemnity will be provided to the injured employee on behalf of our Group.

As at the Latest Practicable Date, as the Kwun Tong Accident was still under investigation by the Labour Department and the relevant law enforcement agencies, the cause of the Kwun Tong Accident had yet to be ascertained.

On 26 August 2019, six summonses were issued under the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong) against CR Construction in relation to the Kwun Tong Site. CR Construction is required to appear before court on 20 September 2019. The details of aforesaid six summonses are set out in the table below:

Date of non-compliance incident	Number of counts	Incident of non-compliance	Relevant laws and regulations
2 March 2019	1	Failure to ensure that, so far as was reasonably practicable, suitable and adequate safe access to and egress from a place of work on the site was provided and properly maintained	Regulations 38A(2), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations

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Date of non-compliance incident	Number of counts	Incident of non-compliance	Relevant laws and regulations
2 March 2019	1	Failure to take adequate steps to prevent a person on the site from falling from a height of more than two metres	Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations
2 March 2019	1	Failure to take such precautions as were necessary to prevent a workman working at that place from being struck by falling object	Regulations 49(1), 68(1)(a) and 68(2)(a) of the Construction Sites (Safety) Regulations
2 March 2019	1	Failure to provide and maintain a system of work for external wall plastering work that were, so far as was reasonably practicable, safe and without risks to health of the person(s)	Sections 6A(1), 6A(2)(a), 6A(3) and 13(1) of the Factories and Industrial Undertakings Ordinance
2 March 2019	1	Failure to provide such information, instruction, training and supervision as was necessary to ensure, so far as was reasonably practicable, the health and safety at work of the persons(s)	Sections 6A(1), 6A(2)(c), 6A(3) and 13(1) of the Factories and Industrial Undertakings Ordinance
2 March 2019	1	Failure to implement and maintain in respect of the relevant industrial undertaking a safety management system which contained the elements specified in schedule 4 of the Factories and Industrial Undertakings (Safety Management) Regulation	Sections 8(1) and 34(2) of the Factories and Industrial Undertakings (Safety Management) Regulations made under Factories and Industrial Undertakings Ordinance

Our Legal Counsel's and EC Legal Advisers' view to the Kwun Tong Accident

Our Legal Counsel was of the view that as the investigation for the Kwun Tong Accident was still undergoing, it is still premature to assess whether there will be any prosecution arising from the Kwun Tong Accident.

In particular, according to the report prepared by the independent registered safety auditor, the evidences collected so far reflects there is no negligence on our Group's part in relation to the case. Further, according to the report, our Group's implementation of the safety management system is satisfactory and mature and the subcontractor's implementation of the safety management system appeared to be poor. Based on the above, our Legal Counsel was of the view that it is premature to draw a conclusion that our Group had caused or contributed to the Kwun Tong Accident. Without making any admission of any liability by us, we have also sought advice from our EC Legal Advisers in respect of the potential employee's compensation liability which our Group might be subject to. Our EC Legal Advisers upon reviewing the relevant statutes and case law has advised that in the event CR Construction is found liable under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) ("**ECO**"), the total maximum possible liability would be a sum of approximately HK\$1.8 million plus interest and costs, which is well covered under the employees' compensation insurance mentioned above.

Fatal Accident happened in June 2019

In June 2019, a fatal accident occurred at the site of Tung Chung Town Lot No. 38, Lantau Island, Hong Kong (the "**Tung Chung Site**"), at which our Group was engaged to provide building construction works. One construction worker, being an employee of a subcontractor of our Group's nominated subcontractor (the "**Subcontractor**"), sustained fatal injury during the course of work. It was suspected that the worker was crushed by a pile of aluminum panels that had toppled over on the worker as he was inspecting them (the "**Tung Chung Accident**").

After the occurrence of the Tung Chung Accident, our Group had followed the proper procedures including procuring the necessary filing with the Labour Department and notifying the relevant insurer. In light of the Tung Chung Accident, the Labour Department issued a temporary suspension notice (the "**Tung Chung Suspension Notice**") in accordance with the Occupational Safety and Health Ordinance to our Group on 29 June 2019, pursuant to which works relating to aluminum panels at the Tung Chung Site shall be suspended until further notice and/or revocation of the notices.

Subsequent to the date of the Tung Chung Accident and up to the Latest Practicable Date, no claims or litigation cases, whether civil or criminal, in relation to the Tung Chung Accident have been initiated against our Group. In view of the Tung Chung Accident, our Group has engaged an independent registered safety auditor to carry out safety audit on our safety measures and procedures, to review the Tung Chung Accident and to provide recommendations to prevent the recurrence of similar accident. The Subcontractor had submitted a work resumption proposal to the Labour Department in response to the Tung Chung Suspension Notice and the Labour Department had revoked the Tung Chung Suspension Notice on 4 September 2019, and we had resumed the relevant works accordingly.

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As at the Latest Practicable Date, as the Tung Chung Accident was still under investigation by the Labour Department, the cause of Tung Chung Accident had yet to be ascertained.

Our Legal Counsel's and EC Legal Advisers' view to the Tung Chung Accident

Our Legal Counsel was of the view that as the investigation for the Tung Chung Accident was still undergoing, it is still premature to assess whether there will be any prosecution arising from the Tung Chung Accident.

In particular, according to the report prepared by the independent registered safety auditor, the evidence collected so far reflects that there is no negligence on our Group's part in relation to the Tung Chung Accident. Further, according to the report, the root cause of the Tung Chung Accident was inadequate safety management system by the Subcontractor. Based on the above, our Legal Counsel was of the view that it is premature to draw a conclusion that our Group had caused or contributed to the Tung Chung Accident. Without making any admission of any liability by us, we have also sought advice from our EC Legal Advisers in respect of the potential employee's compensation liability which our Group might be subject to. Our EC Legal Advisers upon reviewing the relevant statutes and case law have advised that (i) the Subcontractor's subcontractor, being the deceased's employer, will be primarily liable under the ECO; (ii) although CR Construction was not the direct employer of the deceased, CR Construction as the principal contractor may be held jointly and severally liable with the employer by virtue of section 24 of the ECO; (iii) the fact that the Subcontractor, being the controlling company, had contracted out the relevant construction work to its subcontractor and had management and control over the construction work in the Tung Chung Site would render the Subcontractor liable under section 24 of the ECO; and (iv) prima facie CR Construction is entitled to argue that section 24 of the ECO is more applicable to the Subcontractor. In the event CR Construction is found liable under the ECO, the total maximum possible compensation would be a sum of approximately HK\$2.7 million plus interest and costs and the likely compensation would be a sum of approximately HK\$2.2 million plus interest and costs.

Our Legal Counsel's view to the employees' compensation insurance in relation to the Tung Chung Accident

As advised by our Legal Counsel, the Subcontractor had taken out valid employees' compensation insurance ("**Tung Chung Insurance**") to cover the risk of injury or death sustained in the course of employment. Our Legal Counsel was of the view that the Tung Chung Insurance covers the Subcontractor, and/or all their sub-subcontractors and/or the customer of our Group and/or CR Construction as the principal contractor.

To the best of the Directors' knowledge and belief having made due enquiry and as advised by our Legal Counsel, the Tung Chung Accident was within the ambit of the ECO covered under the Tung Chung Insurance with a limit of indemnity at HK\$200 million for any one accident or disease, and there is nothing to suggest that the relevant employees' compensation insurance was not valid and not subsisting to cover potential employee's compensation claim or common law personal injury claim arising out of the Tung Chung Accident to be commenced by the construction worker's executor or administrator and there had been no circumstances indicating that the insurance policy would be invalidated or void.

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As further advised by our Legal Counsel, even if the liability of CR Construction is not covered by the Tung Chung Insurance, in the event of the court giving any judgment against CR Construction, CR Construction can seek for contribution and indemnity under sections 24 and 25 of the ECO and Civil Liability (Contribution) Ordinance, Chapter 377 of the Laws of Hong Kong against the Subcontractor and its subcontractor.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any outstanding and potential litigations (including criminal litigations), claims of our Group on or before the date on which the Share Offer becomes unconditional, including the potential criminal liabilities and penalties and all legal, costs and expenses which may arise out of the Kwun Tong Accident and Tung Chung Accident. Further details on the Deed of Indemnity are set out in the section headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus.

Views of our Directors and the Sole Sponsor

As discussed above, during the Track Record Period, we engaged registered safety auditors for the purpose of conducting safety audits on our safety management system on a semi-annual basis in accordance with the requirements of the Factories and Industrial Undertakings (Safety Management) Regulations and the latest safety audit conducted pursuant to the statutory requirements for the Kwun Tong Site and the Tung Chung Site were on 28 - 29 January 2019 and 23 February 2019, respectively. Our Directors confirmed that no material deficiencies in relation to workplace safety has been identified by the registered safety auditors and our safety management system had continually fulfilled the relevant safety regulations in all material respects.

In relation to the Kwun Tong Accident

Our Group has also engaged the independent registered safety auditor to review the Kwun Tong Accident and of the view that (i) the Kwun Tong Accident is an isolated incident as the Kwun Tong Accident did not appear to be caused by any systemic failure of the safety system of our Group; and (ii) our Group has put in place a sound safety management system for the employees of our Group and our subcontractors. In view of the review made by the independent registered safety auditor, our Directors and the Sole Sponsor concur with the view of the independent registered safety auditor.

Our Directors are of the view that the Kwun Tong Suspension Notice, which caused a temporary suspension of relevant works as discussed above, would have no material impact on the progress of the relevant project given that (i) based on the best estimation of our management, the current project status was ahead of the expected project progress; and (ii) the Labour Department has revoked the Kwun Tong Suspension Notice on 29 March 2019. In addition, based on our EC Legal Advisers' advice, our Directors are of the view that the employees' compensation insurance policy would be

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sufficient to cover the potential civil claim brought against our Group. Therefore, our Directors are of the view, and the Sole Sponsor concurs, that the Kwun Tong Accident and the Kwun Tong Suspension Notice would not have any material adverse impact on our Group's operations and financial position.

In relation to the Tung Chung Accident

Our Group has also engaged the independent registered safety auditor to review the Tung Chung Accident and (i) the Tung Chung Accident is an isolated incident as the Tung Chung Accident did not appear to be caused by any systemic failure of the safety system of our Group; and (ii) our Group has put in place adequate and effective safety control for the employees of our Group and our subcontractors. In view of the review made by the independent registered safety auditor, our Directors and the Sole Sponsor concur with the view of the independent registered safety auditor.

Our Directors are of the view that the Tung Chung Suspension Notices, which caused a temporary suspension of relevant work as discussed above, would have no material impact on the overall progress of the relevant project since (i) the list of works subject to the Tung Chung Suspension Notices were limited to the handling of aluminum panels (the “**Suspended Work**”), which accounts for a small amount of work in comparison to the entire project as a whole, and other building construction works in the Tung Chung Site as well as the operation of other construction sites of our Group remains unaffected; and (ii) the Labour Department has revoked the Tung Chung Suspension Notice on 4 September 2019. Our Directors are of the view that the Group can complete the Suspended Work in around 15 business days following revocation of the notice. In addition, based on our EC Legal Advisers' advice, our Directors are of the view, and the Sole Sponsor concurs, that (i) although CR Construction may be held jointly and severally liable with the Subcontractor and its subcontractor, section 24 of the ECO is arguably more applicable to the Subcontractor as the Subcontractor had management and control over the relevant construction work in the Tung Chung Site; (ii) if CR Construction is held liable under the ECO, the employees' compensation insurance policy would likely be sufficient to cover the potential civil claim brought against our Group; (iii) even if the liability of CR Construction is not fully covered by the Tung Chung Insurance, CR Construction may seek contribution against the Subcontract and/or its subcontractor; and (iv) even if CR Construction cannot recover in full or experience delay in recovering its loss and damage incurred under the Tung Chung Accident, given the maximum compensation would be a sum of approximately HK\$2.7 million, the Tung Chung Accident and the Tung Chung Suspension Notice would not have any material adverse impact on our Group's operations and financial position.

In relation to the Kwun Tong Accident and the Tung Chung Accident

However, pursuant to the Technical Circular (Works) No. 3/2009 (as revised with effect from 3 March 2014), it provides that the Development Bureau may consider regulating action against a contractor who has, among others, caused or contributed (whether by act or omission) to the occurrence of a serious incident on a construction site. The regulating action can be either one or a combination of the following: (i) warning letter; (ii) voluntary suspension from tendering; (iii) independent safety audit; (iv) improvement proposal; and (v) other regulating actions including mandatory suspension from tendering.

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Yet, as illustrated above, our Legal Counsel was of the view that it is premature to draw a conclusion that our Group had caused or contributed to the Kwun Tong Accident and/or the Tung Chung Accident. Therefore, there has been insufficient evidence for our Directors to form any meaningful view on whether our Group would be subject to a suspension of tendering for projects with the relevant Government departments and the expected period of suspension of contract tendering for our Group (if any). Our Directors further believe that, even if our Group was being suspended for tendering for projects with the relevant Government departments, having considered that (i) we have only tendered for one project directly with the relevant Government department which were still pending result as at the Latest Practicable Date; and (ii) our projects directly with the relevant Government departments only amounted to less than 5% of the total revenue for each financial year during the Track Record Period, the suspension of tender shall not have material adverse impact on our Group's operations and financial position.

Post-Accident actions

After the occurrence of the Kwun Tong Accident and Tung Chung Accident, we have immediately engaged the independent registered safety auditor to, among others, review our safety system and safety measures. The independent registered safety auditor has made, among other things, the following recommendations on the immediate actions to be taken by our Group to enhance occupational safety measures:

Corporate level

- To establish a set of safety strategies which emphasise in the use of key performance indicators in attaining company safety objectives of both reactive and proactive safety performance indicators;
- To further refine the safety responsibilities of each job position;
- To develop and roll out a corporate programme of management safety training in workshops to further engage in particular the management level staff together with the subcontractor owners who should be treated as business partners for the growth of the company business in safe manner;
- To establish golden safety rules to prevent fatal accident happening and make intensive communication of these rules visually and verbally at site;
- To engage independent safety consultant to assist the safety inspection process;
- To perform safety inspection in a digital way with in-house development through the use of tablets;
- To promote through photos of proper way of using, storing and maintaining different personal protective equipment for reinforcement of the correct way in dealing with personal protective equipment while working;

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- To organise the training for continuous professional development of the safety staff in further enhancing their safety competence;
- To analyse the accidents by establishing a safety programme to reduce the accident rate in the future;
- To standardise in-house safety rules for all sites at corporate level;
- To provide standard safety requirement to customers to pass to nominated subcontractors;
- To stipulate in the subcontracting contract with nominated subcontractors requesting for provision of site specific safety plan; and
- To standardise the inspection frequency of safety equipment.

Site level — in relation to the Kwun Tong Accident

- Strictly enforce the prohibition of the placement of any material at the bamboo scaffold, edge of floor and window sill;
- Ensure the integrity of surrounding protection platform;
- Install protective screens at every two floors;
- Simultaneously working above and below within a zone between two platforms of catch fences and related surrounding protective platform is strictly prohibited;
- A daily permit to work system is implemented whereby the working environments of the working platforms at scaffolds exterior to the building for any performance of work there have to be inspected in advance;
- Tools and equipment to be used at working platforms exterior to the building should have means/arrangement to prevent it from free-fall; and
- Provide specific safety training of works on working platforms on bamboo scaffolds outside of external wall.

Site level — in relation to the Tung Chung Accident

- Appoint a competent person to conduct task-specific risk assessments to identify all potential hazards associated with the work;
- Formulate safe work methods and procedures taking into account the results of risk assessments, the requirements of safety legislation and relevant safety guidelines;
- Ensure the materials are stored, stacked or handled on a flat, level and rigid surface;

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- Ensure the materials are stored or stacked in a safe manner, or properly supported to prevent toppling;
- Arrange sufficient number of workers and use suitable mechanical aids where necessary, such as cranes or forklift trucks of sufficient capacity to ensure safe conduct of work at all times;
- Ensure the materials are properly secured and stabilised to prevent them from overturning or displacing in the course of work;
- Provide all workers/ employees concerned with the necessary safety information, instruction and training, and ensuring that they are familiar with the safety procedures and measures; and
- Implement an effective monitoring and control system to ensure all safety measures are strictly followed.

Since the occurrence of the Kwun Tong Accident and Tung Chung Accident and up to the Latest Practicable Date, our Directors confirm that there had not been any fatal or severe occupational accident or major injuries arising from the projects of our Group. After having reviewed the Kwun Tong Accident and Tung Chung Accident and the relevant safety system and measures taken up by our Group at the material time, the independent registered safety auditor was of the view that all the recommendations made by the independent registered safety auditor on the Site level are all satisfactorily implemented.

Moreover, safety management system has been designed to manage safety measures to be implemented by the employees of the Group and subcontractors at the construction sites. Under the subcontracting contract entered into between our Group and subcontractors, the subcontractors would be required to adhere to the safety system and measures. Our Group has implemented the following safety measures as part of the internal control procedures:

- Regular safety trainings have been provided to the employees;
- Site safety plan is prepared and circulated, which describe the policy, organizational structure, procedures and work instructions which all company staff members, relevant suppliers, sub-contractors and all site works shall perform their safety duties respectively;
- Safety officers regularly visit the project site to monitor and inspect the compliance with all applicable safety, environment and other requirements of subcontractors;
- Safety committee meetings held every month to highlight projects' safety concerns and follow-up actions;
- Safety officers perform evaluation assessment of safety performance of subcontractors every month; and

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- Safety officers review the works of subcontractors and complete appraisal forms for internal record every six months.

Our Group engaged the independent registered safety auditor to perform special safety audit which covered the internal control review on the abovementioned safety measures in July 2019. The independent registered safety auditor is of the view that the Group maintains an effective and adequate internal control system to ensure the subcontractors would follow our safety system and measures. And our Directors and the Sole Sponsor concur with the view of the independent registered safety auditor. For information in relation to our control over the subcontractors, please refer to the paragraph headed “Business — Our subcontractors” in this section.

Safety committee

Our Company established safety committee in compliance with the Factories and Industrial Undertakings (Safety Management) Regulation (Cap. 59AF of the Laws of Hong Kong). The primary functions of our safety committee are as follows:

- (i) identify, recommend and keep under review measures to improve the safety and health of workers at work;
- (ii) make recommendations to our Board on the abovementioned measures;
- (iii) promote, develop and maintain of safety and health awareness in the workplace;
- (iv) review safety audit reports; and
- (v) develop, implement and monitor safety policy/procedures/systems.

As at the Latest Practicable Date, our safety committee is composed of 16 members, which include 3 directors, 1 safety manager, 1 safety officer, 3 project managers and 8 site agents. Out of the 16 members, 9 had completed post-secondary and tertiary education in different disciplines including construction management, engineering and occupational health and safety related studies. Mr. CHAN Tak Yiu is the chairman of the safety committee and Mr. KWONG Siu Bun is the deputy safety manager. All of the safety committee on average has approximately 20 years of experience in the construction industry.

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MAJOR QUALIFICATIONS AND CERTIFICATIONS

Hong Kong qualifications

Our human resources and administration department takes responsibilities for (i) documenting information and records of all required licenses, qualifications and certifications for our activities including their respective dates of expiry; and (ii) submitting all necessary documents to the relevant authorities for the renewal or application of expiring and new licenses, qualifications and certifications.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we possessed all the necessary licenses, qualifications, and certifications to conduct our construction business in Hong Kong. Our Directors also confirm that, during the Track Record Period and up to the Latest Practicable Date, we have not been refused renewal of any of our licenses, qualifications and certifications required for our activities and there were no known circumstances that would significantly impede or delay the renewal of any of our licenses.

The table below sets out our major licenses, qualifications and certifications in Hong Kong as at the Latest Practicable Date:

Relevant Government departments or public organisation	Category	Group (status)	Holder	Period of validity
WBDB	Approved Contractors for Public Works (Buildings)	C (confirmed)	CR Construction	N/A ^(Note 1)
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works (Turn-key Interior Design and Fitting out Works)	I (confirmed)	CR Construction	N/A ^(Note 1)
WBDB	Approved Contractors for Public Works (Roads and Drainage)	A (probationary)	CR Construction	N/A ^(Note 1)
Housing Authority	List of Building Contractors — Building (New Works)	NW2 (probationary) ^(Note 3)	CR Construction	^(Note 2)
Housing Authority	List of Building Contractors — Building (Maintenance Works)	M2 (probationary) ^(Note 4)	CR Construction	^(Note 2)

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Relevant Government departments or public organisation	Category	Group (status)	Holder	Period of validity
Buildings Department	Registered General Building Contractor	—	CR Construction	From 8 November 2017 to 20 October 2020
Buildings Department	Registered Specialist Contractor — Site Formation Works	—	CR Construction	From 29 April 2015 to 22 June 2021

Notes:

- (1) WBDB qualifications and registrations are not subject to periodic renewal condition save for capital requirement.
- (2) The status as an approved contractor for the Housing Authority is subject to annual renewal and satisfactory compliance with the requirements set out in the “Guide to Registration of Works Contractors and Property Management Services Providers” published by the Housing Authority and the payment of a renewal application fee. Renewal requirements include statutory registration, ethical integrity, quality, etc.
- (3) As an approved building contractor for building (new works) (Group NW2), the probationary status allows us to undertake not more than one Housing Authority’s Group NW2 direct contract at any one time.
- (4) As an approved building contractor for building (maintenance works) (Group M2), the probationary status allows us to undertake not more than three Housing Authority’s Group M2 direct contracts at any one time.

For details on the minimum working capital requirement of our major licenses as at the Latest Practicable Date, please refer to the sections headed “Regulatory overview — D. Laws and regulations in relation to contractor licensing — Approved contractors for public works of WBDB — Requirements for retention as an approved contractor” and “Regulatory overview — D. Laws and regulations in relation to contractor licensing — Approved contractor of the Housing Authority — Application for registration” in this prospectus. The table below demonstrates our fulfillment of the relevant regulatory requirement on minimum working capital during the Track Record Period for our major licenses as at the Latest Practicable Date:

Relevant Government departments or public organisation	Category	Group (status)	Minimum working capital requirement As at 31 December ^(Note 6)		
			2016 (HK\$' million)	2017 (HK\$' million)	2018 (HK\$' million)
WBDB	Approved Contractors for Public Works (Buildings)	C (confirmed)	406.9 ^(Note 1)	425.9 ^(Note 1)	393.9 ^(Note 1)
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works (Turn-key Interior Design and Fitting out Works)	I (confirmed)	14.8 ^(Note 2)	14.8 ^(Note 2)	14.8 ^(Note 2)

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Relevant Government departments or public organisation	Category	Group (status)	Minimum working capital requirement As at 31 December ^(Note 6)		
			2016	2017	2018
			(HK\$' million)	(HK\$' million)	(HK\$' million)
WBDB	Approved Contractors for Public Works (Roads and Drainage)	A (probationary)	2.2 ^(Note 3)	2.2 ^(Note 3)	2.2 ^(Note 3)
Housing Authority	List of Building Contractors — Building (New Works)	NW2 (probationary)	381.3 ^(Note 4)	427.1 ^(Note 4)	436.9 ^(Note 4)
Housing Authority	List of Building Contractors — Building (Maintenance Works)	M2 (probationary)	381.3 ^(Note 5)	427.1 ^(Note 5)	436.9 ^(Note 5)

Notes:

- (1) The minimum working capital requirement for this license is HK\$20 million or 8% on the first HK\$1,010 million of annualised outstanding works and 10% on remainder, whichever is higher. The annualised outstanding works of CR Construction for this category of works as at 31 December 2016, 2017 and 2018 amounted to approximately HK\$4,271.2 million, HK\$4,461.2 million and HK\$4,141.0 million, respectively. Therefore, the minimum working capital requirement as at 31 December 2016, 2017 and 2018 were approximately HK\$406.9 million (HK\$80.8 million (being HK\$1,010 million*8%) + HK\$326.1 million (being remainder*10%)), HK\$425.9 million (HK\$80.8 million (being HK\$1,010 million*8%) + HK\$345.1 million (being remainder*10%)) and HK\$393.9 million (HK\$80.8 million (being HK\$1,010 million*8%) + HK\$313.1 million (being remainder*10%)), respectively.
- (2) The minimum working capital requirement for this license is HK\$14.8 million.
- (3) The minimum working capital requirement for this license is HK\$2.2 million or 15% on annualised outstanding works, whichever is higher. The annualised outstanding works of CR Construction for this category of works as at 31 December 2016, 2017 and 2018 amounted to approximately nil, nil and nil, respectively. Therefore, the minimum working capital requirement as at 31 December 2016, 2017 and 2018 were HK\$2.2 million, HK\$2.2 million and HK\$2.2 million, respectively.
- (4) The minimum working capital requirement for this license is HK\$14.8 million or 8% on first HK\$950 million of outstanding works and 10% on remainder, whichever is higher. The annualised outstanding works of CR Construction for this category of works as at 31 December 2016, 2017 and 2018 amounted to approximately HK\$4,003.5 million, HK\$4,461.2 million and HK\$4,558.7 million, respectively. Therefore, the minimum working capital requirement as at 31 December 2016, 2017 and 2018 were approximately HK\$381.3 million (HK\$76.0 million (being HK\$950 million*8%) + HK\$305.3 million (being remainder*10%)), HK\$427.1 million (HK\$76.0 million (being HK\$950 million*8%) + HK\$351.1 million (being remainder*10%)) and HK\$436.9 million (HK\$76.0 million (being HK\$950 million*8%) + HK\$360.9 million (being remainder*10%)), respectively.
- (5) Please refer to note (4) above for calculation of minimum working capital requirement for this license.

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- (6) The net current assets of CR Construction were approximately HK\$385.3 million, HK\$276.8 million and HK\$310.2 million as at 31 December 2016, 2017 and 2018, respectively. The shortfall between the minimum working capital and the net current assets of CR Construction as at 31 December 2016, 2017 and 2018, respectively was fulfilled by external financing of CR Construction, which was accepted by WBDB and the Housing Authority. CR Construction had unutilised bank revolving loan balance available of approximately HK\$40 million, HK\$460 million and HK\$820 million, as at 31 December 2016, 2017 and 2018, respectively, which enables CR Construction to fulfill the minimum working capital requirement. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there were no known circumstances that would significantly impede or delay the renewal of any of our licenses as a result of not fulfilling the minimum working capital requirement of our licenses.

To monitor and maintain our Group's working capital sufficiency, our Group has implemented the following measures:

Finance department

- Finance manager submits cash flow forecast (covering the next six months period) to the board of Directors on weekly basis;
- Finance manager reports bank account balances, credit amount, drawdown and due dates particulars to the Directors on weekly basis;
- Finance manager reports overdue accounts receivables and cash flow over the past weeks on the management bi-weekly meeting;
- Finance manager reports working capital estimates based on projects on hand, the latest balance sheets, etc to the financial controller on quarterly basis, and if the working capital falls below the minimum prescribed level, the financial controller shall report to the executive Directors and implement measures to restore the working capital to the prescribed level as soon as possible; and
- Finance manager reviews credit line and annual renewal status of the terms and conditions of the credit line offered by the banks on regular basis to make sure the amount of external financing is reasonable and sufficient in maintaining healthy working capital position.

Contracts department

- Other than the cash flow forecasts prepared by the financial department, the contracts manager issues income and expenditure valuation statement and reports to the board of Directors at the end of each calendar month; and
- Contracts manager updates the recovery status of overdue accounts receivables on the management bi-weekly meeting.

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For the consequences on failure to fulfill the relevant minimum working capital requirement of our major licenses as at the Latest Practicable Date, please refer to the sections headed “Regulatory overview — D. Laws and regulations in relation to contractor licensing — Approved contractors for public works of WBDB — Regulatory actions against approved contractors by WBDB” and “Regulatory overview — D. Laws and regulations in relation to contractor licensing — Approved contractor of the Housing Authority — Regulatory actions by the Housing Authority” in this prospectus.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we maintained the necessary number of technical director and/or authorised signatory for all existing qualifications and licenses as required under the relevant laws and regulations. For further information about the requirement, please refer to the section headed “Regulatory overview — D. Laws and regulations in relation to contractor licensing” in this prospectus.

Since the above qualifications and registrations may be subject to review and renewal from time to time, we will continue to review and identify the needs to apply for or renew any permits, licenses, certificates and registrations required for our activities under relevant statutes and regulations. At the same time, we will also keep our management and staff members abreast of any new requirements, procedures and development in the industry and the relevant laws. As advised by our Legal Counsel, (i) taking into account the systemic non-compliances set out in the paragraph headed “Material Non-compliances — Systemic non-compliances” in this section and the fact that these are not the worst type of non-compliances; (ii) the convictions and lenient fines imposed as a result of the systemic non-compliances; (iii) the report prepared by the independent registered safety auditor for the Accident (as defined in the paragraph headed “Work safety — Fatal accident happened in March 2019” in this section) suggesting that evidences collected so far appear to be no leading to negligence of our Group for the case; (iv) according to the report prepared by the independent registered safety auditor for the Accident, our Group’s implementation of the safety management system is satisfactory and mature and the subcontractor’s implementation of the safety management system appeared to be poor; (v) there is not yet any prosecution and conviction in relation to the Accident, our Legal Counsel is of the view that there is no material suggesting any legal impediment on the renewal of the above qualifications and registrations. Our Directors confirm that they are not aware of and do not expect any circumstances or difficulties that would significantly hinder or delay the renewal of these qualifications or registrations.

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Certifications

The below table sets out various certifications obtained by us as at the Latest Practicable Date:

Nature	Certification	Awarding organisation	Scope	Holder	Period of validity
Quality management system accreditation	ISO 9001:2015	HKQAA	a. Design and construction of buildings; b. Design and building activities to keep, restore and improve the facilities of buildings and surroundings; c. Construction of road works and drainage works; and d. Construction of site formation works.	CR Construction	15 September 2017 to 14 September 2020
Environmental management system accreditation	ISO 14001:2015	HKQAA	a. Design and construction of buildings; b. Design and building activities to keep, restore and improve the facilities of buildings and surroundings; c. Construction of road works and drainage works; and d. Construction of site formation works.	CR Construction	26 July 2019 to 25 July 2022
Occupational health and safety management system accreditation	OHSAS 18001:2007	HKQAA	a. Design and construction of buildings; b. Design and building activities to keep, restore and improve the facilities of buildings and surroundings; c. Construction of road works and drainage works; and d. Construction of site formation works.	CR Construction	28 July 2017 to 27 July 2020

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Nature	Certification	Awarding organisation	Scope	Holder	Period of validity
Energy management system accreditation	ISO 50001:2011	ACIL	a. Construction of buildings; b. Design and building activities to keep, restore and improve the facilities of buildings and surroundings; c. Construction of road works and drainage works; and d. Construction of site formation works.	CR Construction	27 December 2014 to 27 December 2020

As advised by our Legal Counsel, the validity of the above certificates is subject to the continuing satisfactory operation of the relevant holder's management system and surveillance audits which are not legal matters. On this basis, our Legal Counsel is of the view that there is no legal impediment for the renewal of these certifications. Our Directors confirm that they are not aware of or expect any circumstances or difficulties that would significantly hinder or delay the renewal of these certifications.

AWARDS AND RECOGNITIONS

The table below sets out the major awards and recognitions we received over the years up to the Latest Practicable Date:

Year(s) of awarded	Nature	Award	Awarding organisation	Recipient
2017	Quality	Construction Project Team of the Year—Winner	Royal Institution of Chartered Surveyors	CR Construction
2016	Health and safety	Construction EHS Administrator, New Works—Merit Award	Hong Kong Institute of Construction Managers	CR Construction
2015	Quality	China Construction Metal Structure (Hong Kong & Macau region) — Golden Award ^(Note)	China Construction Metal Structure Association, Macau Society of Metal Structures, Hong Kong Construction Metal Structures Association	CR Construction
2014	Quality	Hong Kong Building (Renovation / Revitalisation)—Grand Award	Quality Building Award Organising Committee	CR Construction

Note: For identification only

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Year(s) of awarded	Nature	Award	Awarding organisation	Recipient
2014	Quality	Hong Kong Non-Residential (New Building)—Quality Excellence Award	Quality Building Award Organising Committee	CR Construction
2014	Quality	Hong Kong Non-Residential (New Building)—Grand Award	Quality Building Award Organising Committee	CR Construction
2012	Environmental	New Building Category (Completed Building) - Hong Kong—Merit Award	Hong Kong Green Building Council	CR Construction

INSURANCE

In line with the construction industry practice of main contractors, during the Track Record Period, our Directors confirm that we have taken out contractors' all risk and third party liability insurance for each and every project as well as employees' compensation insurance when we were acting as a main contractor. We also obtained contractors' plant and machinery insurance, property all risks insurance and directors and officers liability insurance.

In respect of our contractor's all risk and third party liability insurance during the Track Record Period, it generally covers (i) loss and damage caused to on-site contract works by us and our subcontractors in the performance of the contract undertaken, for which the coverage normally comprises the contract sum under the relevant construction contract and the professional fee of a stipulated amount to be incurred; and (ii) loss and damage caused to third parties by us and our subcontractors in the performance of the contract undertaken, for which the amount of coverage per occurrence is generally between HK\$10 million and HK\$200 million. The contractors' all risk and third party liability insurance normally runs for the entire contract period.

With regards to our employees' compensation insurance, it generally covers costs and compensation to our employees and the subcontractors' employees for personal injuries sustained in the course of their employment in the relevant projects, with the maximum coverage of HK\$100 million or HK\$200 million per incident based on the worker number in construction site in accordance with the relevant laws and regulations in Hong Kong.

In relation to the contractors' plant and machinery insurance and directors and officers liability insurance obtained by us, the maximum coverage are approximately HK\$14.6 million and HK\$60 million respectively. For the property all risks insurance, it covers the maximum loss of HK\$5.5 million for our office and HK\$0.5 million for our ancillary office and warehouse.

During the Track Record Period, we obtained insurance policies from independent third parties. Our Directors believe that we have sufficient insurance coverage for potential liabilities that may arise in the course of our operations.

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Upon listing, our Directors may consider to obtain keyman insurance policy to ensure any loss of profits arising from the death, sickness or injury of a key employee will be insured.

MARKET COMPETITION

The CIC Report states that (i) there were a total of 62 approved Group C contractors in Hong Kong as at 1 September 2019; (ii) the five largest construction companies in the Hong Kong building construction works industries in aggregate accounted for approximately 32.6% of the market share in 2018; and (iii) we ranked the third among all main contractors in Hong Kong with approximately 5.2% market share in terms of revenue from building construction works for the year ended 31 December 2018. In light of the findings in the CIC Report, our Directors believe that competition in the building construction works and RMAA works market is keen.

Furthermore, the CIC Report identified several entry barriers faced by new competitors in the building construction works industry, namely (i) access to sufficient capital to meet and maintain the capital requirement required by the relevant Government departments and to ensure construction works are conducted smoothly; (ii) possession of an experienced and qualified team of workers and management professional to deliver high-quality construction projects; (iii) having a proven track record to improve the presence in the market; and (iv) obtaining corresponding qualification required by the Government departments to undertake public projects. For further details of these entry barriers, please refer to the section headed “Industry overview — Overview of building construction works industry in Hong Kong — Entry barriers of Hong Kong’s building construction works industry” in this prospectus.

We believe that we will remain competitive and active in the market with our competitive strengths as detailed in the paragraph headed “Competitive strengths” in this section.

INTELLECTUAL PROPERTY RIGHTS

Please refer to the section headed “B. Further information about the business — 2. Intellectual property rights” in Appendix IV to this prospectus.

It is our Directors’ belief that we have taken all reasonable steps and measures to protect our intellectual property rights against any potential infringements. As at the Latest Practicable Date, we were not aware of any significant infringement of our intellectual property rights nor any threatened claims or commenced proceedings against us on the ground of infringement of intellectual property rights owned by third parties.

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EMPLOYEES

We had 657 full time employees who are directly employed by us in Hong Kong as at the Latest Practicable Date. The table showing a breakdown of our full time employees by function is set out below:

Function	Number of employees
Directors	6
Senior management	8
Estimating and subletting department	18
Contracts department	65
Finance department	12
Human resources and administration department	38
Business development department	8
Purchasing department	7
Compliance department	37
Projects department	325
Plant department	43
Technical department	22
Building services department	65
Quality department	3
Total	<u>657</u>

Relationship with staff

We believe our employees are valuable assets to our business. It is our Directors' view that our management and employees have maintained an amicable relationship which is expected to remain the same in the future. During the Track Record Period, there has not been any material discords or incidence of work stoppage which significantly affected our business operations.

Training and recruitment policies

We generally recruit our employees from the open market and by referrals. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve us. We assess the available human resources on a continuous basis and will determine whether additional personnel are required to cope with our business development.

To keep our employees abreast of new knowledge and skills, we organise training programmes to our employees such as workshops on leadership skills and communication skills. It is our belief that the provision of opportunities to continuing education and advanced training can both increase our staff member's competence and work efficiency and enhance job satisfaction and loyalty.

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In order for our new employees to familiarise with their respective job requirements and the relevant regulations and rules, they are required to attend training programmes before job commencement. In addition, our new employees are subject probation for a period of three months. Upon expiry of the probation period, the relevant supervisors will decide if permanent employment status will be granted to the new employees based on their performance.

Remuneration policy

We enter into separate labour contracts with each of our employees in accordance with the applicable labour laws. The remuneration package which we offer to employees includes salary, bonus and other cash subsidies.

The performance of our employees is reviewed twice a year for numerous purposes such as promotion appraisals, salary adjustments and determination of annual bonus. It is our intention to maintain our remuneration packages competitive to attract talented labour in the construction industry and retain existing staff members.

PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased the below properties which were material for our business operations:

Location of properties	Approximate gross floor area occupied <i>sq.ft. (Note 1)</i>	Rent <i>(HK\$ per month)</i>	Usage	Duration
Unit Nos 01-03 and 05-09 on Level 31 of Standard Chartered Tower of Millennium City 1, No.388 Kwun Tong Road, Kwun Tong, Kowloon	9,584	301,896	Head office	1 June 2017 to 14 January 2020 <i>(Note 2)</i>
Unit Nos. 03, 05-13 and 15-16 on Level 32 of Standard Chartered Tower of Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong, Kowloon	13,782	434,133	Head office	1 July 2017 to 14 January 2020 <i>(Note 2)</i>
Unit No.19 on Level 32 of Standard Chartered Tower of Millennium City 1, No.388 Kwun Tong Road, Kwun Tong, Kowloon	857	26,995.5	Head office	1 July 2017 to 14 January 2020 <i>(Note 2)</i>
Unit Nos.17 and 18 on Level 32 of Standard Chartered Tower of Millennium City 1, No.388 Kwun Tong Road, Kwun Tong, Kowloon	2,693	84,829.5	Head office	2 October 2017 to 14 January 2020 <i>(Note 2)</i>

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Location of properties	Approximate gross floor area occupied <i>sq.ft. (Note 1)</i>	Rent <i>(HK\$ per month)</i>	Usage	Duration
145, 146 (Part), 160SC, 161SC (Part), 303, 304 (Part), 322SB (Part), 323 (Part), 324 (Part), 325 SA(Part) of Portion of Lot 107, Mo Fan Heung, Yuen Long, New Territories	35,000	45,000	Warehouse	1 July 2017 to 30 June 2022

Notes:

- 1 The approximate gross floor area occupied represents the gross floor area set out in the tenancy agreements signed with the owners or is based on our Directors' best estimation.
- 2 The tenancy agreements of the four premises had been renewed with a term of three years commencing on 15 January 2020 to 14 January 2023 (both day inclusive) and at an aggregate rent of HK\$847,854.0 per month.

In addition to the above, we leased 11 properties primarily for ancillary office, warehouse and dormitory uses which our Directors consider immaterial to our business operations as at the Latest Practicable Date.

As advised by our Legal Counsel, whether to renew the tenancy agreements above is a commercial decision for the parties which is not a legal matter. On the basis that there will be nothing affecting our capacity, there is no legal impediment for us to renew the above tenancy agreements.

INTERNAL CONTROL

Our internal control system covers our major business aspects such as revenue and receipt, project cost management, human resources and payroll, fixed assets, treasury and cash management, financial statements preparation and information technology. Our internal control measures mainly include controls over segregation of duties, payment, accounting systems, assets management, data control and process of selecting our suppliers and subcontractors. Our financial controller and management team including executive Directors are responsible for identifying risks and internal control deficiencies, evaluating our internal control system from time to time and implementing additional control measures, if necessary, to improve our internal control system. Further details on our risk management are set out in the paragraph headed "Risk management" in this section. Our Directors believe it is the responsibility of our Board to ensure that we maintain a sound and effective internal control system to safeguard our Shareholders' interest and our Group's assets at all times.

In preparation for the Listing, we have engaged an independent internal control consultant (the "Internal Control Consultant") to conduct an evaluation of our internal control system covering various processes of us including sales and receipt, purchase and expenses, human resources and payroll, fixed assets management, treasury and cash management, insurance, financial statements and information disclosure, tax management and information technology. The Internal Control Consultant conducted its work in April 2017 and provided a number of findings and recommendations in its report. We have subsequently taken corrective actions in response to such findings and

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recommendations. The Internal Control Consultant performed follow-up procedures on the actions taken by our Company in June 2017 and July 2018, and subsequently the Internal Control Consultant reported further commentary in July 2017 and July 2018 respectively. After considering the remedial actions taken and the result of the follow-up review, our Directors are satisfied that our internal control system is adequate and effective for our operation.

RISK MANAGEMENT

Our Directors confirm that during the ordinary course of our business, we are primarily exposed to (i) control risks relating to our overall monitoring system; (ii) regulatory risks in relation to our business; (iii) operational risk; (iv) credit risks relating to accounts receivable; and (v) market risks relating to changes in macroeconomic environment.

The following sets out the key risks for our business and the mitigating internal control procedures thereof:

Risk control

To control certain risks relating to overall monitoring system, including inappropriate and inconsistent practices, failure to detect unethical behaviours, wrong doings or potential frauds we have endorsed staff handbook and Company policies which require all our Directors and employees to follow. For instance, we have implemented various internal control measures including (i) established steps in preparing material submission of subcontractors; (ii) inspection of major material upon delivery on site involving site staff and quality surveyors; (iii) surprise check on minor works site by project staff; (iv) inspection of works performed by site staff; and (v) joint-inspection with customers and site staff.

Regulatory risk management

Upon Listing, our Group may be exposed to the risks of non-compliance with the Listing Rules. Our executive Director, Mr. Chan Tak Yiu, will be responsible for overseeing our Group's compliance issues. We will update the context of Company policies from time to time. We have appointed First Shanghai Capital Limited as our compliance adviser to advise us on compliance issues. All Directors and employees shall keep refreshing their understanding of staff handbook and Company policies.

Operational risk management

Our group has implemented a comprehensive risk management framework. Our project managers are responsible for maintaining the operation and assessing the operational risks of their respective projects. They are also responsible for implementing our internal policies and procedures. Our project managers will visit the project sites from time to time, and will report irregularities in connection with the operation of the projects to our executive Directors.

We have also exposed to (i) risks relating to potential inaccurate costs estimation and cost overrun. Please refer to the paragraph headed "Pricing strategy" in this section for further details; and (ii) risks relating to occupational health and safety. Please refer to the paragraph headed "Work safety" in this section for further details.

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Credit risk management

We are exposed to credit risk which may cause financial loss to our Group if our counterparties fail to discharge an obligation. In order to minimise the credit risk, most of our customers are required to settle payment within 14 to 45 days after issuance of progress payment certificate. The payment terms must be approved by our executive Directors. Besides, a monthly payment report summarising project income and expenses are reviewed by our executive Directors. Such process is included as the remediation measures for addressing credit risks in our risk register. Before deciding whether to submit a tender, we will consider factors such as creditworthiness of the relevant customers and the contract terms. In addition, our executive Directors also take into account the length of business relationship, past reputation, financial strength and repayment history of each of our customers for monitoring the payments. Settlements are monitored by our project managers and our finance department. For overdue balances, our executive Directors and project managers will be alerted and appropriate follow-up action will be taken. When the accounts receivable balances remain unsettled after the agreed credit terms, they will be classified as overdue. For each of the three years ended 31 December 2018, we did not make any provision for doubtful debts relating to accounts receivable. We recorded an impairment losses on trade receivables of approximately HK\$2.0 million as at 31 March 2019.

Market risk management

We are exposed to general market risks related to changes in the macroeconomic environment and movements in market variables such as interest rates and property price in Hong Kong, and other market changes. Our executive Directors are responsible for identifying and assessing potential market risks and from time to time formulating policies to mitigate these market risks.

MATERIAL NON-COMPLIANCES

Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, save as disclosed below, there was no non-compliance incident the nature of which was material or systemic. The below non-compliances were identified through (i) our internal records; (ii) inquiries with the relevant government authorities in Hong Kong including the Buildings Department, the Housing Authority, the WBDB, the Labour Department, the Inland Revenue Department, the Mandatory Provident Fund Schemes Authority, the Immigration Department, the Environmental Protection Department, the Fire Services Department the Civil Engineering and Development Department and the Electrical and Mechanical Services Department; and (iii) conducting litigation searches on our Group companies and our Directors via an independent search agent.

Systemic non-compliances

1. **Under the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) and Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)**

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During the Track Record Period and up to the Latest Practicable Date, we were convicted for the offences under the safety and health-related laws and regulations as set out below:

Date of non-compliance incident	Number of counts	Incident of non-compliance	Relevant laws and regulations
18 February 2017	1	Failure to take adequate steps to prevent a person on the site from falling from a height of more than two metres	Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations
16 May 2017	1		
23 May 2017	1		
17 August 2017	2		
24 October 2017	2		
27 April 2018	1		
19 June 2018	2	Failure to take all reasonable steps to ensure workmen who were not wearing suitable safety helmets did not remain on the site	Regulations 48(1)(b), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations
20 September 2018	1		
13 September 2016	1	Failure to provide and maintain safe plant and system of work	Section 6A(1), 6A(2)(a), 6A(3) and 13(1) of the Factories and Industrial Undertakings Ordinance
27 April 2018	1		
29 April 2017	1	Failure to ensure that no such scaffold was erected except by workmen who were adequately trained and possessed adequate experience of such work	Regulations 38E(1)(a), 68(1)(a) and 68(2)(a) of the Construction Sites (Safety) Regulations
17 August 2017	1		
17 August 2017	1	Failure to ensure that no such scaffold was erected except by workmen who were under the immediate supervision of a competent person	Regulations 38E(1)(b), 68(1)(a) and 68(2)(a) of the Construction Sites (Safety) Regulations
17 August 2017	1	Failure to ensure that the workman used the suitable goggles which were provided for protection	Regulations 43(b), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations

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Date of non-compliance incident	Number of counts	Incident of non-compliance	Relevant laws and regulations
7 December 2017	2	There was a live conductor which was not so insulated and further effectively protected where necessary so as to prevent electrical hazard so far as was reasonably practicable	Regulations 6, 31(1) and 31(2) of Factories and Industrial Undertakings (Electricity) Regulations made under Factories and Industrial Undertakings Ordinance
19 June 2018	1	Failure to provide and ensure the use of a scaffold, ladder or other means of support which was safe for the purpose regarding to the work	Regulations 38C, 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations
19 June 2018	1	Failure to ensure that the suitable and adequate safe access to and egress from a place of work on the site was provided and properly maintained	Regulations 38A(2), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations
20 September 2018	1	Failure to take all reasonable steps to ensure that every person for whose use you so provided eye protectors, or a shield or a fixed shield, made full and proper use of the same	Regulations 7(b) and 9(1) of the Factories and Industrial Undertakings (Protection of Eyes) Regulations made under Factories and Industrial Undertakings Ordinance

A total sum of HK\$246,000 was imposed on us as fines for the above 22 convictions in relation to the breach of safety and health-related laws and regulations. As at the Latest Practicable Date, we had duly paid the fines and no provision had to be made. As advised by our Legal Counsel, there is no further liability against our Group in relation to the above non-compliances upon our payment of the fines. As such, our Directors are of the view that the non-compliances did not have any material adverse impact on our Group. As at all material times, our Directors were not named as defendants or potential defendants in the offences against our Group set out above, our Directors have no personal involvement in these convictions and would not be personally held liable.

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Upon identification of the aforesaid incidents of non-compliances, we have taken steps to enhance our internal control measures to prevent recurrence of the non-compliances. Our internal control measures include, but not limited to:

- (a) providing safety trainings and re-trainings to all workers at our construction sites on the applicable regulations and the proper safety precautions to be taken. Safety precautions to be taken for high risk construction works, such as working at heights, are particularly mentioned;
- (b) our senior management team, project managers and safety officers conducting regular safety inspections to ensure the construction activities or operations are conducted in safe and proper manners and, if any non-conformities are found during the safety inspections, suggest improvement measures to rectify such non-conformities;
- (c) issuing regular safety notices with regards to various occupation safety risks and safety incidents happened in the construction industry to our workers to increase the safety awareness of our workers; and
- (d) implementing a reward/penalty system to promote safe working practices among our workers.

Having reviewed, among other things, our existing safety measures and procedures, our Directors are of the view and the Sole Sponsor concurs that our safety management system is adequate and effective. For further details on our safety management system, please refer to the paragraph headed “Work safety” in this section.

2. Under section 15 of the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

During the Track Record Period and up to the Latest Practicable Date, there were 142 incidents where we failed to report on time the injuries of our employees or employees of our subcontractors due to industrial accident.

As at the Latest Practicable Date, no fine has been imposed on us in relation to the said late filings. As advised by our Legal Counsel, as at the Latest Practicable Date, 20 incidents were still within the limitation period of six months which could expose us to prosecutions resulting in an estimated total fine of HK\$300,000. For further details on the potential prosecution, please refer to the paragraph headed “Legal proceedings and claims — Potential litigations against us as at the Latest Practicable Date” in this section.

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Upon identification of the aforesaid incidents of non-compliances, we have taken steps to enhance our internal control measures to prevent recurrence of the non-compliances. Our internal control measures include, but not limited to:

- (a) establishing a site accident reporting system which thoroughly explain the procedure to report an accident in construction sites and assign the responsible contact persons for each construction site;
- (b) including corresponding provisions in each of the subcontracts with our subcontractors and conducting meeting with our subcontractors before commencement of the specified works to ensure compliance with our site accident reporting system; and
- (c) conduct regular meeting with our subcontractors at construction site to evaluate the site accidents happened (if any) and determine if any additional safety measures are necessary.

Having reviewed, among other things, our existing site accident reporting system, our Directors are of the view and the Sole Sponsor concurs that our site accident reporting system is adequate and effective. For further details on our site accident reporting system, please refer to the paragraph headed “Work safety” in this section.

Having considered the nature of the abovementioned systemic non-compliances and that the non-compliance incidents did not have any material legal and financial impact on our Group, our Directors are of the view and the Sole Sponsor concurs that the systemic non-compliances would not affect the suitability of our Directors under Rule 3.08 and 3.09 of the Listing Rules or the suitability for Listing of our Company under Rule 8.04 of the Listing Rules.

LEGAL PROCEEDINGS AND CLAIMS

Save as disclosed below, our Directors confirm that no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we had been involved in a number of claims, litigations, pending or threatened claims against our Group. The claims against us typically relate to employees’ compensation claims and personal injury claims. Our Directors are of the view that occurrence of employees’ compensation claims and personal injury claims is not uncommon in our industry. As at all material times, our Directors were not named as defendants or potential defendants in the litigations or potential litigations against our Group set out below, our Directors have no personal involvement in these litigations and would not be personally held liable.

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We had taken out compulsory insurance in relation to our liabilities as an employer under section 40 of the Employees' Compensation Ordinance and when we were aware of claims against us, we would hand over those cases to our insurers as required under the insurance policies. During the Track Record Period and up to the Latest Practicable Date, we did not experience situations where our insurers had avoided covering our liability under employees' compensation claims and personal injury claims against us and therefore, we did not incur additional liability of material importance as a result of employees' compensation claims and personal injury claims not being covered by our insurance policies.

Ongoing litigations against us as at the Latest Practicable Date

As at the Latest Practicable Date, we had 63 ongoing litigations against us of which 37 were employees' compensation claims and 26 were personal injury claims. Due to the nature of the employees' compensation and personal injury claims, generally no specific claim amounts would be specified when court proceedings were first commenced. As the final settlement amounts of the employees' compensation and personal injury claims would depend on the individual facts and circumstances of the proceedings and be decided by the relevant courts, we are not in a position to assess the likely quantum or our maximum liability exposure from such ongoing claims. Our Directors confirm that they were not aware of any circumstances suggesting that the insurers were going to avoid covering our liability under our ongoing litigations. Our Directors are therefore of the view that the ongoing litigations have no material financial and operational impact on our Group.

Potential litigations against us as at the Latest Practicable Date

- (i) Potential litigation in relation to employee's compensation claims and common law personal injury claims

Potential claims refer to those accidents for which no claims have been commenced against us but are within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the dates of the relevant accidents pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). These accidents occurred during the usual and ordinary course of our business and have not caused any material disruption to our business. Since no court proceedings have commenced, we are not in a position to assess the likely quantum of such potential claims should they be initiated against us. Our Directors are of the view that any potential claims arising from the work injury accidents will be covered by our relevant insurance policies and to the extent that such amount is not covered by the relevant insurance policies, it will be indemnified by our Controlling Shareholders, pursuant to the Deed of Indemnity. Accordingly, the aforementioned potential claims would not result in any material impact on the operations, financial results or financial position of our Group.

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As at the Latest Practicable Date, 153 of our recorded work injury accidents might give rise to potential employees' compensation and/or personal injury claims. The table below sets out a summary of the expiry of limitation period of the aforesaid work injury accidents:

Year	Number of employees' compensation claims which limitation period will expire	Number of personal injury claims which limitation period will expire
From the Latest Practicable Date to 31 December		
2019	8	7
2020	59	43
2021	33	70
2022	<u>nil</u>	<u>33</u>
Total	<u>100</u>	<u>153</u>

- (ii) Potential litigation in relation to failure to report our employees' injuries due to industrial accident on time

During the Track Record Period and up to the Latest Practicable Date, there were 142 incidents where we failed to report the injuries of our employees due to industrial accident on time.

Potential claims refer to those incidents for which no prosecutions have been commenced against us but are within the limitation period of six months after commission of the offence pursuant to the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong). As at the Latest Practicable Date, there were 20 incidents which could expose us to prosecutions. As advised by our Legal Counsel, the maximum penalty for such non-compliance is HK\$50,000. As there is no tariff for such non-compliances, our Legal Counsel is of the view that HK\$15,000 for each offence is a fair estimate resulting in an estimated total fine of HK\$300,000 for the 20 incidents. After considering the potential penalty imposed in the sum of HK\$300,000 as advised by our Legal Counsel, our Directors are of the view that the potential sentence for these incidents would not have any material financial and operational impact on us.

No provision for litigation claims

Insurance policies have been taken out in compliance with applicable laws and regulations with a view to providing sufficient coverage for such work-related injuries for employees and we have not incurred any material liabilities as a result thereof. As such, these incidents did not and are not expected to have a material impact on our Group's operations. For further details on our insurance policies, please refer to the paragraph headed "Insurance" in this section.

BUSINESS

Regarding (i) the potential employees' compensation claims and personal injury claims under common law; and (ii) the potential prosecutions in relation to failure to report our employees' injuries due to industrial accident on time, no provision has been made in the financial statements of our Group having considered (a) the uncertainties as to whether such claims will be commenced; (b) the coverage of liabilities under insurance policy; (c) the uncertainties in maximum exposure for such claims, if any; and (d) the indemnity given by our Controlling Shareholders as mentioned below.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any outstanding and potential litigations (including criminal litigations), claims of our Group on or before the date on which the Share Offer becomes unconditional. Further details on the Deed of Indemnity are set out in the section headed "E. Other information — 1. Tax and other indemnities" in Appendix IV to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board currently consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

The following table sets out information regarding our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as Director of our Company	Role and Responsibility	Relationship with other Directors and senior management
Executive Directors						
Mr. GUAN Manyu (管滿宇)	42	Executive Director and chairman of the Board	7 January 2014	20 July 2017	Responsible for overall business development as well as financial and strategic planning of our Group	Nil
Mr. LI Kar Yin (李嘉賢)	60	Executive Director	14 January 1988	20 July 2017	Responsible for overall management of our business operation	Nil
Ms. CHU Ping (朱萍)	52	Executive Director	7 January 2014	20 July 2017	Responsible for overall management of our business operation	Nil
Mr. LAW Ming Kin (羅明健)	63	Executive Director	12 January 2009	20 July 2017	Responsible for overall management of our business operation	Nil
Mr. CHAN Tak Yiu (陳德耀)	48	Executive Director	18 May 2009	20 July 2017	Responsible for overall management of our business operation	Nil
Non-executive Director						
Mr. YANG Haojiang (楊昊江)	36	Non-executive Director	20 July 2017	20 July 2017	Providing strategic advice to our Group	Nil
Independent non-executive Directors						
The Honourable TSE Wai Chun Paul JP (謝偉俊) (太平紳士)	60	Independent non-executive Director	17 September 2019	17 September 2019	Providing independent judgement on our strategy, performance, resources and standard of conduct	Nil
Mr. LI Ka Fai David (李家暉)	64	Independent non-executive Director	17 September 2019	17 September 2019	Providing independent judgement on our strategy, performance, resources and standard of conduct	Nil
Mr. HO Man Yiu Ivan (何文堯)	61	Independent non-executive Director	17 September 2019	17 September 2019	Providing independent judgement on our strategy, performance, resources and standard of conduct	Nil

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. GUAN Manyu (管滿宇), aged 42, is the chairman of our Board and an executive Director. He was appointed as a director of our Company on 20 July 2017, and was further appointed and designated as an executive Director and the chairman of our Board on 5 September 2017. He is responsible for overall business development as well as financial and strategic planning of our Group.

Mr. Guan has approximately 20 years of experience in the construction industry. From August 1999 to August 2001, he worked for Zhejiang Construction Investment at which his last position was a foreman. In September 2001, he joined Zhejiang Construction HK as a project manager and was subsequently promoted to an assistant manager in March 2002, a deputy manager in March 2003 and a general manager in September 2007. Since April 2015, he has become the chairman of Zhejiang Construction HK. Mr. Guan joined our Group in January 2014 as a director of CR Construction and has been concurrently serving as the chairman of CR Construction since March 2015. He is a director of Mount Land and CR Construction Macau. He is also the chairman and a director of Zhejiang Construction HK and a director of certain subsidiaries of Zhejiang Construction Investment and Zhejiang Construction HK, details of which are summarised in the section headed “Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Management Independence”.

Mr. Guan obtained a bachelor of civil engineering in construction engineering from Zhejiang University in the PRC in June 1999 and a master of science in civil infrastructural engineering and management from The Hong Kong University of Science and Technology in November 2005.

Mr. Guan was admitted as a 1st class registered constructor (一級註冊建造師) in specialty of construction engineering in Ministry of Housing and Urban-Rural Development of the People’s Republic of China (中華人民共和國住房和城鄉建設部) (formerly known as Ministry of Construction of the People’s Republic of China (中華人民共和國建設部)) in November 2007 and a senior engineer (高級工程師) in specialty of construction engineering in Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in December 2009.

Mr. LI Kar Yin (李嘉賢), aged 60, is an executive Director. He was appointed as a director of our Company on 20 July 2017, and was further appointed and designated as an executive Director on 5 September 2017. He is mainly responsible for overall management of our business operation.

Mr. Li has approximately 37 years of experience in the construction industry. From July 1982 to January 1988, he worked for Langdon Every and Seah, an international construction cost consultancy firm, as a quantity surveyor. In January 1988, he joined our Group as a quantity surveyor of CR Construction and was subsequently promoted to a senior quantity surveyor in January 1989, an assistant contracts manager in November 1992 and a contracts manager in April 1995. He has become a director of CR Construction since October 2001 and is currently serving as a managing director of CR Construction. He is also a director of Mount Land and CR Construction Macau.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li obtained a higher diploma in surveying and an advanced higher diploma in quantity surveying from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1981 and November 1982 respectively. He, through distance learning, obtained a diploma in surveying (quantity surveying) and a postgraduate diploma in arbitration from The College of Estate Management (currently known as The University College of Estate Management) in the United Kingdom in September 1996 and April 2000 respectively.

Mr. Li was admitted as a member of The Hong Kong Institute of Surveyors in June 1998 and a member of The Chartered Institute of Arbitrators in July 2000.

Mr. Li was a director of the following companies which were dissolved:

Name of company	Place of incorporation	Date of dissolution	Nature of dissolution	Nature of business before dissolution
China Resources Construction (Engineering) Company Limited	Hong Kong	29 April 2011	Deregistration (Note)	Inactive
Keensmart Investments Limited	Hong Kong	16 November 2012	Deregistration (Note)	Property holding
Nationbury Development Limited	Hong Kong	29 April 2011	Deregistration (Note)	Inactive
Realty Long Marble Works Company Limited	Hong Kong	27 December 2013	Deregistration (Note)	Inactive
Uniwel Land Development Limited	Hong Kong	1 June 2012	Deregistration (Note)	Inactive

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all members of such company agree to such deregistration; (b) such company has never commenced business, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Li confirmed that the above-mentioned companies were solvent at the time of dissolution and there was no wrongful act on his part leading to the dissolution of the companies.

Ms. CHU Ping (朱萍), aged 52, is an executive Director. She was appointed as a director of our Company on 20 July 2017, and was further appointed and designated as an executive Director on 5 September 2017. She is mainly responsible for overall management of our business operation.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chu has approximately 18 years of experience in the construction industry. In August 2001, she joined Zhejiang Construction HK as an accounting clerk and was subsequently promoted to a finance and administration officer in January 2003, a deputy manager in January 2008 and has been serving as a director of Zhejiang Construction HK since January 2014. She joined our Group in January 2014 as a director of CR Construction and is concurrently serving as a deputy managing director of CR Construction. She is a director of Mount Land and CR Construction Macau. She is also a director of certain subsidiaries of Zhejiang Construction Investment and Zhejiang Construction HK, details of which are summarised in the section headed “Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Management Independence”.

Ms. Chu, through distance learning, obtained a bachelor of laws from Jinan University in the PRC in January 2007.

Mr. LAW Ming Kin (羅明健), aged 63, is an executive Director. He was appointed as a director of our Company on 20 July 2017, and was further appointed and designated as an executive Director on 5 September 2017. He is mainly responsible for overall management of our business operation.

Mr. Law has approximately 40 years of experience in the construction industry. From 1979 to June 1987, he worked for Shui On Construction Company Limited, a wholly-owned subsidiary of SOCAM Development Limited (stock code: 983), at which his last position was an assistant project manager. He joined our Group and worked for CR Construction as a site agent from July 1987 to February 1989. From February 1989 to September 1995, he worked for subsidiaries of Tak Wing Group at which his last position was an acting general manager. From January 1996 to January 2006, he worked for Chun Wo Construction and Engineering Company Limited, a wholly-owned subsidiary of Asia Allied Infrastructure Holdings Limited (stock code: 711), as a senior project manager. From March 2006 to January 2009, he worked for Paul Y. Construction Ltd. at which his last position was a contracts manager. In January 2009, he joined our Group again as a project operation director of CR Construction and was subsequently promoted to an assistant general manager in February 2015. Since July 2016, he has become a director of CR Construction.

Mr. Law obtained a bachelor of science in civil engineering from The University of Calgary in Canada in June 1979.

Mr. Law was a director of the following company which was dissolved:

Name of company	Place of incorporation	Date of dissolution	Nature of dissolution	Nature of business before dissolution
Speedy Rise Limited	Hong Kong	25 April 2003	Striking off	Property holding

DIRECTORS AND SENIOR MANAGEMENT

Mr. Law Ming Kin was a director of Speedy Rise Limited (“**Speedy Rise**”) which was dissolved by way of striking off. Its nature of business before its dissolution was property holding. As confirmed by Mr. Law, the purpose of running Speedy Rise was only for holding one property. After such property was sold, Speedy Rise no longer served any purpose nor had any operation. Therefore, Mr. Law did not actively take part in maintaining Speedy Rise. As Speedy Rise was not in operation, it was struck off by the Registrar of Companies. Mr. Law confirmed that the above-mentioned company was solvent at the time of dissolution and there was no wrongful act on his part leading to the dissolution of the company.

Mr. CHAN Tak Yiu (陳德耀), aged 48, is an executive Director. He was appointed as a director of our Company on 20 July 2017, and was further appointed and designated as an executive Director on 5 September 2017. He is mainly responsible for overall management of our business operation.

Mr. Chan has approximately 27 years of experience in the construction industry. From July 1992 to October 1993 and August 1994 to March 1999, he worked for Crownity Engineering Limited and its subsidiaries (namely Best Build Construction Co., Ltd. and Besco Engineering Ltd.) at which his last position was a construction manager. From March 1999 to January 2002, he worked for Square Construction Company Limited as a project manager. From January 2002 to May 2009, he worked for Chun Wo Construction and Engineering Company Limited, a wholly-owned subsidiary of Asia Allied Infrastructure Holdings Limited (stock code: 711), at which his last position was a deputy operation manager. In May 2009, he joined our Group and worked as a senior project manager of CR Construction and was subsequently promoted to a project operation director and head of technical department concurrently in January 2012, an assistant general manager in February 2015. Since July 2016, he has been a director of CR Construction. He is also a director of CR Construction Macau.

Mr. Chan obtained a bachelor of science in construction management from South Bank University, London in the United Kingdom in July 1994 and a master of science in construction management from City University of Hong Kong in November 2000.

Mr. Chan was admitted as a member of The Australian Institute of Building in May 2005 and a member of The Chartered Institute of Building in January 2006. Mr. Chan was admitted as a fellow of the Hong Kong Institute of Construction Managers in April 2015.

Non-executive Director

Mr. YANG Haojiang (楊昊江), aged 36, is a non-executive Director. He was appointed as a director of our Company on 20 July 2017, and was further appointed and designated as a non-executive Director on 5 September 2017. He is mainly responsible for providing strategic advice to our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang has more than nine years of experience in the construction industry. In April 2010, he worked for Zhejiang Construction Investment as a research officer and was subsequently promoted to a senior project manager in January 2012 and an assistant manager in November 2014. Since September 2016, he has been serving as a deputy general manager in Zhejiang Construction HK.

Mr. Yang obtained a bachelor of information management and information system (信息管理與信息系統) from Zhejiang Gongshang University in the PRC in July 2005 and a master of business administration from University of Bridgeport in the United States in December 2007.

Independent non-executive Directors

The Honourable TSE Wai Chun Paul JP (謝偉俊) (太平紳士), aged 60, was appointed as our independent non-executive Director on 17 September 2019. He is responsible for providing independent judgement on our strategy, performance, resources and standard of conduct.

Mr. Tse has more than 33 years of experience in the legal field. He has worked as a barrister from October 1985 to July 1992 and as a solicitor from July 1992 to the present. From July 1992 to June 1993, he worked for Livasiri & Co. as an assistant solicitor. From July 1993 to January 1995, he worked for Terry Yeung & Lai, Solicitors as a consultant. From February 1995 to mid 1997, he worked for Wilfred K. H. Lam & Co. as a consultant. He founded Paul W. Tse, a solicitors firm in Hong Kong, in October 1997 and is currently a partner of Paul W. Tse.

Mr. Tse obtained a bachelor of commerce and a bachelor of laws from the University of New South Wales in Australia in April 1984 and in May 1984, respectively. He obtained a master of laws in Chinese and comparative law from the City University of Hong Kong in November 1999 and a postgraduate certificate in laws from the University of Hong Kong in September 1985.

Mr. Tse was called to the bar of New South Wales in July 1984. He was admitted as an advocate and solicitor in Singapore in February 1995. He was called to the bar in Hong Kong in October 1985. In September 1992, he was admitted as a solicitor in Hong Kong. He was also admitted as an associate member of The Australian Society of Certified Practising Accountants in March 1984 and a member of The Chartered Institute of Arbitrators in December 1999.

Mr. Tse was appointed as a Justice of the Peace by the Government in July 2011 and is currently a member of the Legislative Council of Hong Kong and a district councilor of the Wan Chai District Council.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tse was a director of the following companies which were dissolved:

Name of company	Place of incorporation	Date of dissolution	Nature of dissolution	Nature of business before dissolution
Hong Kong Travel Industry Legal Rights Association Limited	Hong Kong	16 October 2015	Deregistration (Note)	Non-profit making travel trade association
A-bay Investment Holdings Co., Limited	Hong Kong	30 April 2015	Striking off	Investment holding
Chong Ding Landmark Limited	Hong Kong	14 September 2012	Striking off	Investment holding
Fung Lam Holdings Limited	Hong Kong	22 May 2015	Striking off	Investment holding
Golden Elephant Travel Company Limited	Hong Kong	20 December 2002	Striking off	Travel agent

Note: Under section 750 of the Companies Ordinance, an application for deregistration must not be made unless at the time of the application (a) all members of such company agree to such deregistration; (b) such company has not commenced operation or business, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's assets do not consist of any immovable property situate in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

Mr. Tse Wai Chun Paul was a director of (i) A-bay Investment Holdings Co., Limited (“**A-bay**”); (ii) Chong Ding Landmark Limited (“**Chong Ding**”); (iii) Fung Lam Holdings Limited (“**Fung Lam**”); and (iv) Golden Elephant Travel Company Limited (“**Golden Elephant**”) which were dissolved by way of striking off. The nature of business of each of A-bay, Chong Ding, and Fung Lam before their dissolution was investment holding while that of Golden Elephant was travel agent. Mr. Tse confirmed that each of these companies no longer served any purpose nor had any operation before their dissolution. Therefore, Mr. Tse did not actively take part in maintaining each of them. As each of the above-mentioned companies was not in operation, they were struck off by the Registrar of Companies. Mr. Tse confirmed that the above-mentioned companies were solvent at the time of dissolution and there was no wrongful act on his part leading to the dissolution of the companies.

Mr. Li Ka Fai David (李家暉), aged 64, was appointed as our independent non-executive Director on 17 September 2019. He is responsible for providing independent judgement on our strategy, performance, resources and standard of conduct.

Mr. Li has more than 27 years of experience in accounting industry. Since April 1992, he has been a deputy managing partner of Li, Tang, Chen & Co., Certified Public Accountants (Practising). He is currently an independent non-executive director of China Merchants Port Holdings Company Limited (stock code: 144), AVIC International Holding (HK) Limited (stock code: 232), Goldlion

DIRECTORS AND SENIOR MANAGEMENT

Holdings Limited (stock code: 533), China-Hongkong Photo Products Holdings Limited (stock code: 1123), Cosmopolitan International Holdings Limited (stock code: 120), Shanghai Industrial Urban Development Group Limited (stock code: 563), and Wai Yuen Tong Medicine Holdings Limited (stock code: 897).

Mr. Li confirmed that as a deputy managing partner, he is mainly responsible for monitoring the overall development of and providing strategic advice and decision making to Li, Tang, Chen & Co. while the daily operations of Li, Tang, Chen & Co. are maintained and supported by a team of other partner(s) and full-time accounting and administrative staff.

Mr. Li further confirmed that generally he will spend approximately 40% to 50% of his total working time per year for handling matters of Li, Tang, Chen & Co.. Notwithstanding Mr. Li's existing commitments and directorships as an independent non-executive director of seven listed companies, our Directors believe that his ample knowledge and experience of serving as an independent non-executive director in Hong Kong listed companies can be applied to his duties as an independent non-executive Director of our Company.

Mr. Li confirmed that (i) he understands his obligations, duties and responsibilities as an independent non-executive Director of our Company; (ii) he generally has to attend board meetings, committee meetings and the annual general meeting for each of the seven listed companies and generally will have to spend at least 50 hours per year for handling matters of each of the seven listed companies; and (iii) he was able to attend all board and committee meetings and there were no complaints about his performance since the date he was appointed as an independent non-executive director of each of the seven listed companies.

Our Directors wish to emphasise that Mr. Li's ample knowledge and experience of serving as an independent non-executive Director of seven listed companies covering different businesses will be invaluable to our Company and can be applied to his duties as an independent non-executive Director of our Company.

On the basis that (i) Mr. Li fully understands his obligations, duties and responsibilities as an independent non-executive Director; (ii) Mr. Li had previously spent at least 50 hours per year for handling matters of each of the seven listed companies; and (iii) he was able to attend all board and committee meetings and there were no complaints about his performance since the date he was appointed as an independent non-executive Director of these listed companies, our Directors are confident that Mr. Li will be able to properly allocate his time to discharge all his responsibilities.

Our Board will continue to closely monitor the time allocation of Mr. Li and the other independent non-executive Directors such as the attendance of Board and committee meetings and participation in discussions of important matters of our Company to make sure that they will have sufficient time to focus on the matters of our Group. Where necessary, our Board will (i) individually discuss with the independent non-executive Directors on the possibility to reduce the number of external commitments and job duties; and (ii) review the composition of our Board by way of replacement of independent non-executive Directors to ensure that the independent non-executive Directors are able to devote sufficient time to discharge their duties.

DIRECTORS AND SENIOR MANAGEMENT

Based on the above, our Directors are of the view and the Sole Sponsor concurs that Mr. Li will be able to devote sufficient time to discharge his responsibilities as an independent non-executive Director of our Company.

Mr. Li obtained a bachelor of science with honours in chemical & administrative sciences from The City University, London (currently known as City, University of London) in July 1978. He was admitted as a fellow of Hong Kong Institute of Certified Public Accountants, a fellow of The Society of Chinese Accountants & Auditors, a fellow of The Institute of Chartered Accountants in England and Wales, a fellow of The Chartered Association of Certified Accountants, U.K., a member of Macau Society of Certified Practising Accountants and a member of Institute of Financial Consultants, U.S..

Mr. Li was awarded a Medal of Honour from the Government in July 2004 and was admitted as a member of deputy election committee of HKSAR 13th National People's Congress (香港特別行政區第十三屆全國人民代表大會代表選舉會議成員).

Mr. Li was a director of the following companies which were dissolved.

Name of company	Place of incorporation	Date of dissolution	Nature of dissolution	Nature of business before dissolution
Akahala Enterprise Limited	Hong Kong	20 November 2009	Deregistration (Note)	Management and consultancy services
Dragon Rise Enterprise Limited	Hong Kong	14 January 2011	Deregistration (Note)	Shares and properties investment
LTC (China Services) Limited	Hong Kong	14 September 2007	Deregistration (Note)	Management and financial consultancy services
Power Wisdom Limited	Hong Kong	15 July 2011	Deregistration (Note)	Dormant

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all members of such company agree to such deregistration; (b) such company has never commenced business, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Li confirmed that the above-mentioned companies were solvent at the time of dissolution and there was no wrongful act on his part leading to the dissolution of the companies.

Mr. HO Man Yiu Ivan (何文堯), aged 61, was appointed as our independent non-executive Director on 17 September 2019. He is responsible for providing independent judgement on our strategy, performance, resources and standard of conduct.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho has approximately 36 years of experience in the construction industry. From 1983 to 1986, he worked for the Housing Department of HKSAR Government as a graduate architect and later as an architect. From 1986 to 1987, he worked for Kumagai Design Ltd. Architects, Planners & Engineers as a project architect. From 1987 to 1989, he worked for Kumagai Gumi (HK) Ltd. at which his last position was a deputy project manager for the Bank of China Tower project. In September 1988, he served as a co-founder of Ivanho Architect Limited and, since then, has been serving as a director.

Mr. Ho obtained a bachelor of arts in architectural studies and a bachelor of architecture from the University of Hong Kong in November 1981 and November 1983 respectively. He was a vice president of Hong Kong Institute of Architects from 2017 to 2018 and a vice president (local affairs) of Hong Kong Institute of Urban Design from 2014 to 2018. He is currently a director of Hong Kong Green Building Council.

Disclosure required under Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors (i) did not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas; (ii) did not hold other positions in our Company or any other member of our Group as at the Latest Practicable Date; and (iii) had no other relationship with any Directors, Substantial Shareholders, Controlling Shareholders, or senior management of our Company as at the Latest Practicable Date. As at the Latest Practicable Date, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

The following table sets out information regarding our senior management:

SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Role and responsibility	Relationship with other Directors and senior management
Mr. LEE Yiu Pun (李耀彬)	52	Project operation director	15 August 2016	Responsible for projects operation and implementation of quality management	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Role and responsibility	Relationship with other Directors and senior management
Mr. LAU Tat Shing Thomas (劉達成)	45	Project operation director	1 July 2017	Responsible for projects operation and implementation of quality management	Nil
Mr. LI Kwok Woon Ricky (李國煥)	43	Technical director	1 July 2017	Supervising and providing technical support to our Group's operation	Nil
Mr. LOK Yu Cheong (駱裕昌)	59	Financial controller	21 August 1991	Overseeing our financial reporting, financial planning, treasury and financial control	Nil
Ms. LEUNG Suet Lun (梁雪綸)	35	Company secretary	5 September 2017	Overseeing company secretarial matters	Nil

SENIOR MANAGEMENT

Mr. LEE Yiu Pun (李耀彬), aged 52, is our project operation director. Mr. Lee joined our Group in August 2016. He is mainly responsible for projects operation and implementation of quality management.

Mr. Lee has approximately 27 years of experience in the construction industry. From July 1992 to September 1994, he worked for Sun Foo Kee Limited as an assistant quality manager. From September 1994 to January 2010, he worked for China Civil Engineering Construction Corporation at which his last position was an assistant general manager. From February 2010 to November 2011, he worked for International Group as a project manager. From December 2011 to November 2012, he worked for Hsin Chong Construction Company Limited, a wholly-owned subsidiary of Hsin Chong Group Holdings Limited (stock code: 404), at which his last position was a project manager. From November 2012 to September 2013, he worked for Chevalier Construction Company Limited, a subsidiary owned as to 99.67% by Chevalier International Holdings Limited (stock code: 25), as a senior project manager. From September 2013 to August 2016, he worked for Wecon Limited as a general manager. Since August 2016, he joined our Group and has been serving as a project operation director of CR Construction.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee obtained a bachelor of science in building from City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in November 1992 and a master of science in construction management from City University of Hong Kong in November 1998. Mr. Lee was admitted as a member of The Chartered Institute of Building in July 2003.

Mr. LAU Tat Shing Thomas (劉達成), aged 45, is our project operation director. Mr. Lau joined our Group in July 2017. He is mainly responsible for projects operation and implementation of quality management.

Mr. Lau has approximately 22 years of experience in the construction industry. From July 1997 to January 1998, he worked for Driltech Ground Engineering Limited as an assistant engineer. From May 1998 to January 1999, he worked for Hui Hon Contractors Limited as an engineer. From January 1999 to April 2005, he worked for China Civil Engineering Construction Corporation at which his last position was a site engineer. From April 2005 to June 2017, he worked for Zhejiang Construction HK at which his last position was a project operation director. Since July 2017, he joined our Group and has been serving as a project operation director of CR Construction.

Mr. Lau obtained a higher diploma in civil engineering from Hong Kong Technical Colleges (currently known as the Hong Kong Institute of Vocational Education, a member of Vocational Training Council) in June 1997, a higher diploma in engineering management from the Hong Kong Institute of Vocational Education in July 2003, a diploma in occupational health and safety from Li Ka Shing Institute of Professional and Continuing Education of The Open University of Hong Kong in May 2005, and a bachelor of engineering in civil engineering from Chu Hai College of Higher Education in Hong Kong in July 2008.

Mr. LI Kwok Woon Ricky (李國煥), aged 43, is our technical director. Mr. Li joined our Group in July 2017. He is mainly responsible for supervising and providing technical support to our Group's operation.

Mr. Li has approximately 22 years of experience in the construction industry. From June 1997 to April 1999, he worked for Cheung Wing & Associates as an assistant site engineer. From April 1999 to February 2002, he worked for PYPUN Engineering Consultants Ltd. at which his last position was a structural engineer. From March 2002 to July 2003, he worked for China Civil Engineering Corporation Limited as a structural engineer. From July 2003 to June 2004, he worked for Hsin Chong Construction (Macau) Ltd., a wholly-owned subsidiary of Hsin Chong Group Holdings Limited (stock code: 404), as a structural engineer. From June 2004 to April 2006, he worked for China Civil Engineering Construction Limited again as a site agent. From May 2006 to May 2014, he worked for Meinhardt (C&S) Ltd. at which his last position was a technical director. From June 2014 to June 2017, he worked for Zhejiang Construction HK as a technical director. Since July 2017, he joined our Group and has been serving as a technical director of CR Construction.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li obtained a bachelor of engineering in civil and structural engineering from The Hong Kong University of Science and Technology in November 1997. He was admitted as a member of the Institution of Structural Engineers in November 2001, a member of the Hong Kong Institution of Engineers in March 2002 and a registered structural engineer under Buildings Ordinance Section 3 in Hong Kong in June 2014.

Mr. LOK Yu Cheong (駱裕昌), aged 59, is our financial controller. Mr. Lok joined our Group in August 1991. He is mainly responsible for overseeing our financial reporting, financial planning, treasury and financial control.

Mr. Lok has approximately 35 years of experience in the accounting industry. From October 1983 to November 1986, he worked for Li, Tang, Chen & Co. Certified Public Accountants at which his last position was a group leader of an audit team. From April 1987 to August 1988, he worked for Ericsson Communications (HK) Ltd. as an accountant. From August 1988 to April 1991, he worked for Eton Management Limited at which his last position was an accountant. In August 1991, he joined our Group as a chief accountant of CR Construction and was subsequently promoted to an assistant finance manager in September 1995, a finance manager in September 1998. Since April 2009, he has been a financial controller of CR Construction. He is also a director of Mount Land and CR Construction Macau.

Mr. Lok obtained a senior diploma in accounting and an honours diploma in accounting from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in November 1982 and December 1984, respectively. He obtained an endorsement certificate in accountancy from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1989. He obtained a bachelor of business administration in accounting and a master of business administration from Hong Kong Baptist University in December 1994 and December 1997, respectively.

Ms. LEUNG Suet Lun (梁雪綸), aged 35, was appointed as our company secretary on 5 September 2017. She is mainly responsible for overseeing company secretarial matters.

Ms. Leung has approximately 11 years of experience in the legal, company secretarial and tax consulting industry. From September 2006 to September 2009, Ms. Leung worked for KPMG Tax Limited at which her last position was an assistant manager. From January 2012 to December 2014, Ms. Leung worked for Rizemen Services Limited, a service company wholly-owned by F. Zimmern & Co., a solicitors' firm, as which her last position was an associate. In December 2014, she joined TMF Hong Kong Limited and is currently a senior manager of the listing services department.

Ms. Leung obtained a bachelor of social sciences (government and laws) and a bachelor of laws from The University of Hong Kong in December 2005 and December 2006, respectively. She obtained a postgraduate certificate in laws from The University of Hong Kong in June 2010. She is currently a solicitor in Hong Kong and a member of Hong Kong Institute of Certified Public Accountants.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. LEUNG Suet Lun (梁雪綸) is the company secretary of our Company. Details of her qualifications and experience are set out in the paragraph headed “Senior management” above in this section.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the Articles and the Listing Rules, we have formed three board committees, namely the audit committee, the nomination committee, and the remuneration committee.

Audit committee

Our Company established an audit committee in compliance with Rule 3.21 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code. The primary duties of our audit committee are (i) to make recommendations to our Board on the appointment and removal of external auditors, (ii) to review the financial statements, (iii) to review the effectiveness of our Company’s internal audit activities, internal controls and risk management systems, and (iv) to develop and implement policy on engaging external auditor to supply non-audit services. Our audit committee currently consists of all three of our independent non-executive Directors, namely Mr. Li Ka Fai David, The Honourable Tse Wai Chun Paul JP and Mr. Ho Man Yiu Ivan. Mr. Li Ka Fai David is the chairman of the audit committee.

Nomination committee

Our Company established a nomination committee with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The primary duties of our nomination committee are (i) to review the structure, size, composition and diversity of our Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors; and (v) to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management. Our nomination committee currently consists of two executive Directors, namely Mr. Guan Manyu and Mr. Li Kar Yin, and three of our independent non-executive Directors, namely Mr. Li Ka Fai David, The Honourable Tse Wai Chun Paul JP and Mr. Ho Man Yiu Ivan. Mr. Guan Manyu is the chairman of the nomination committee.

Remuneration committee

Our Company established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code. The primary duties of our remuneration committee are (i) to review and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; (ii) to review and make recommendations to our Board on other remuneration-related matters, including benefits-in-kind and other compensation payable to our

DIRECTORS AND SENIOR MANAGEMENT

Directors and senior management; and (iii) to review performance based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration. Our remuneration committee currently consists of an executive Director, namely Mr. Li Kar Yin, and three of our independent non-executive Directors, namely Mr. Li Ka Fai David, The Honourable Tse Wai Chun Paul JP and Mr. Ho Man Yiu Ivan. Mr. Li Ka Fai David is the chairman of our remuneration committee.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of Directors fees, salaries, allowances, discretionary bonuses and other benefits as well as contributions to retirement benefit schemes. The total compensation accrued to our Directors for each of the three years ended 31 December 2018 and the three months ended 31 March 2019 were approximately HK\$4.4 million, HK\$9.5 million, HK\$11.2 million and HK\$3.4 million, respectively, including performance related bonuses of approximately HK\$0.5 million, HK\$2.2 million, HK\$2.9 million and HK\$0.7 million, respectively.

Our Group's five highest paid individuals during the Track Record Period included three Directors. The remuneration of the two remaining highest paid individuals, who are not our Directors for the three years ended 31 December 2018 and the three months ended 31 March 2019, were approximately HK\$4.9 million, HK\$2.6 million, HK\$4.2 million and HK\$1.3 million, respectively.

Under the arrangement currently in force, we estimate the total compensation to be paid or accrued to our Directors for the year ending 31 December 2019 to be HK\$8.2 million.

We did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for each of the three years ended 31 December 2018 and the three months ended 31 March 2019. Furthermore, none of our Directors waived any compensation for the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of each of the three years ended 31 December 2018 and the three months ended 31 March 2019, by us or any of our subsidiaries to our Directors.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, their time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

DIRECTORS AND SENIOR MANAGEMENT

After Listing, the remuneration committee of our Company will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed “D. Share Option Scheme” in Appendix IV to this prospectus.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy which sets out our approach to achieve a sustainable and balanced development of our Company and to enhance our quality of performance.

We recognise and embrace the benefit of having a diverse Board to enhance the quality of our Board’s performance. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria.

Selection and recommendation of candidates will be based on the nomination procedures and the process and criteria adopted by our nomination committee and a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services, personal integrity and time commitments of the proposed candidates. We will take into account factors relating to our own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

Our nomination committee has been delegated with the overall responsibility for implementation, monitoring and periodic review of our board diversity policy. Any revisions to the policy as recommended by our nomination committee will be submitted to our Board for consideration and approval.

COMPLIANCE ADVISER

We have appointed First Shanghai Capital Limited to be our compliance adviser upon Listing in compliance with Rules 3A.19 of the Listing Rules. We have entered into a compliance adviser’s agreement with the compliance adviser, the material terms of which are as follows:

- the term of appointment of the compliance adviser will commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual reports of our Company in respect of our results for the financial year ending 31 December 2020), or until the agreement is terminated, whichever is earlier;
- the compliance adviser will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;

DIRECTORS AND SENIOR MANAGEMENT

- our Company will consult with and, if necessary, seek advice from our compliance adviser in the following circumstances:
 - (a) before the publication of any regular announcement, circular or financial report;
 - (b) where a transaction which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
 - (c) where our Company intends to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviates from any forecast, estimate or other information in this prospectus; and
 - (d) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules; and
- the compliance adviser will serve as a channel of communication with the Stock Exchange.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), CR Investments will hold approximately 72.2% of the issued share capital of our Company. CR Investments is a wholly-owned subsidiary of Zhejiang Construction HK. Zhejiang Construction HK is a wholly-owned subsidiary of Zhejiang Construction BVI. Zhejiang Construction BVI is a wholly-owned subsidiary of Zhejiang Construction Investment, which is in turn owned as to 45.95% by Zhejiang State-owned Capital. For the purpose of the Listing Rules, each of Zhejiang State-owned Capital, Zhejiang Construction Investment, Zhejiang Construction BVI, Zhejiang Construction HK and CR Investments is our Controlling Shareholder and together form a group of controlling shareholders of the Company.

PRINCIPAL BUSINESS ACTIVITIES OF OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders operate a wide and diversified business portfolio. Eyeing on the opportunity to swiftly penetrate the Hong Kong construction market, Zhejiang Construction HK acquired CR Construction in 2014. For details on the acquisition, please refer to the section headed “History, Reorganisation and Group structure — Our subsidiaries and joint ventures — CR Construction” in this prospectus. As part of their business strategy to maintain presence in different markets, our Controlling Shareholders intend to maintain their current diversified business portfolio after the Listing and have no present intention to transfer their businesses to our Group. For details on the reasons for the Listing, please refer to the section headed “Future plans and use of proceeds — Reasons for the Listing and the Share Offer” in this prospectus. The below paragraphs set forth the principal business activities of our Controlling Shareholders.

Zhejiang State-owned Capital

Zhejiang State-owned Capital is a state-owned enterprise wholly-owned by the ZJSASAC. Zhejiang State-owned Capital is principally engaged in (i) investment advisory services; (ii) asset management; (iii) investment funds management; and (iv) financial information services. Apart from holding indirect interest in our Group, Zhejiang State-owned Capital also holds interests in other entities, the principal businesses of which include (i) asset management and investment management; (ii) financial leasing; (iii) corporate management consultancy; (iv) property leasing advisory; (v) manufacturing and sale of wall materials; (vi) automotive sales; (vii) real estate development; and (viii) provision of electrical mechanical services.

Zhejiang Construction Investment

Zhejiang Construction Investment is owned as to 45.95% by Zhejiang State-owned Capital. Zhejiang Construction Investment is principally engaged in (i) building construction; (ii) manufacturing and leasing of mechanical equipment; (iii) financial leasing; (iv) trading of commercial goods; (v) real estate leasing and development; (vi) building design; and (vii) manufacturing of building materials. Apart from holding indirect interest in our Group, Zhejiang Construction

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Investment also holds interests in other entities, the principal businesses of which include (i) building construction; (ii) manufacturing of machinery; (iii) financial leasing; (iv) trading of commercial goods; (v) real estate leasing; (vi) building design; (vii) real estate development; (viii) investment management; and (ix) manufacturing of building materials.

Zhejiang Construction BVI

Since its incorporation and up to the Latest Practicable Date, Zhejiang Construction BVI has been an investment holding company without any business operation.

Zhejiang Construction HK

Zhejiang Construction HK is wholly-owned by Zhejiang Construction Investment. Zhejiang Construction HK is principally engaged in building construction business in the Asia Pacific region excluding Hong Kong and Macau. Apart from holding interest in our Group, Zhejiang Construction HK also holds interests in other entities, the principal businesses of which include (i) working capital management; (ii) financial leasing; (iii) civil engineering; and (iv) property management.

CR Investments

Since its incorporation and up to the Latest Practicable Date, CR Investments has been an investment holding company without any business operation.

Save as disclosed below, our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business which would require disclosure pursuant to Rule 8.10 of the Listing Rules.

BUSINESS DELINEATION AND EXCLUDED BUSINESS

Our Group is principally engaged as a main contractor in building construction works and RMAA works projects in Hong Kong.

As set out above, Zhejiang Construction Investment is principally engaged in, among others, building construction business in the PRC and is not engaged in building construction business in Hong Kong apart from its direct and indirect interest in Zhejiang Construction HK and our Group. Given the clear geographical delineation of the businesses of our Group and Zhejiang Construction Investment, our Directors are of the view that there is no competition between the business of our Group with those of Zhejiang Construction Investment.

Zhejiang Construction HK is currently a registered general building contractor under the Buildings Ordinance and is principally engaged in building construction business in the Asia Pacific region excluding Hong Kong and Macau. It was previously principally engaged in provision of

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

building construction works and RMAA works services in Hong Kong (the “**Excluded Business**”). During the Track Record Period, Zhejiang Construction HK was engaged in eight building construction works and RMAA works projects in Hong Kong all of which had been completed with the last project being completed in March 2018.

As confirmed by Zhejiang Construction HK, it has no intention to conduct any construction business in Hong Kong after completion of the abovementioned projects and therefore it has no intention to inject the Excluded Business into our Group.

The following table sets out the key financial information of Zhejiang Construction HK for each of the years ended 31 December 2016, 2017 and 2018:

	For the year ended/ as at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Revenue	329,207	448,044	37,336
Profit/(loss) for the year	9,652	114,792	(12,900)
Total assets	880,632	763,305	626,261
Net assets	18,419	133,212	53,535

During the Track Record Period, Zhejiang Construction HK was managed by a board of directors comprising four to seven directors including Mr. Guan Manyu, Ms. Chu Ping and Mr. Li Kar Yin. As at the Latest Practicable Date, Mr. Guan Manyu, Ms. Chu Ping, Mr. Shen Kangming and Mr. Wang Zhixiang were directors of Zhejiang Construction HK. Mr. Guan Manyu, Ms. Chu Ping and Mr. Li Kar Yin were involved in the day-to-day management of the business operations of Zhejiang Construction HK during the Track Record Period. Since July 2017, both Mr. Guan Manyu and Ms. Chu Ping have been designated to a role for high-level decision-making for important strategic and policy matters and were no longer involved in the day-to-day management of the business operations of Zhejiang Construction HK while Mr. Li Kar Yin had resigned from his position as director from Zhejiang Construction HK on 1 August 2017. For details of our Directors who have overlapping positions in our Controlling Shareholders or their close associates, please refer to the paragraph headed “Independence from our Controlling Shareholders — Management independence” in this section.

Reasons for excluding the Excluded Business

The operating history of Zhejiang Construction HK can be traced back to 1999 when Zhejiang Construction HK was incorporated to conduct building construction business in Hong Kong. In view of the significant business growth of CR Construction after it was acquired by Zhejiang Construction HK in 2014, Zhejiang Construction HK has resolved to focus on businesses other than the building construction business in Hong Kong. Since June 2016, Zhejiang Construction HK has not submitted any tender for construction projects in Hong Kong. Zhejiang Construction HK is now principally engaged in (i) building construction business in the Asia Pacific region excluding Hong Kong and Macau; and (ii) holding interests in companies engaged in working capital management in Hong Kong,

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

financial leasing, civil engineering and property management in the PRC. Having considered that (i) Zhejiang Construction HK holds interests in other companies the businesses of which are not related to the business of our Group; and (ii) Zhejiang Construction HK had ceased its building construction and RMAA business in Hong Kong, Zhejiang Construction HK has not been included in our Group.

As Zhejiang Construction HK does not intend to conduct any building construction business in Hong Kong and Zhejiang Construction HK has executed the Deed of Non-Competition, details of which are set out in the paragraph headed “Deed of Non-Competition” in this section, our Directors are of the view that potential competition, if any, between the Excluded Business and the business of our Group is limited. Our Directors further consider that as we do not place reliance on Zhejiang Construction HK in conducting our business, we are capable of carrying on our business independently of, and at arm’s length from the Excluded Business. For further information regarding our independence from our Controlling Shareholders, please refer to the paragraph headed “Independence from our Controlling Shareholders” in this section.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the below factors, our Directors are satisfied that we are capable of carrying out our business independent from each of our Controlling Shareholders and their close associates after the Listing.

Operational independence

Our Group is not operationally dependent on each of our Controlling Shareholders and their close associates. We have full rights to make all decisions on, and to carry out, our own business operations independent from our Controlling Shareholders and their close associates and do not rely on our Controlling Shareholders or their close associates for our business development and activities. We have independent access to our customers, suppliers and our Directors and our senior management are responsible for handling our day-to-day operations and conducting our business. We are also in possession of all relevant licenses that are material to carrying on and operating our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

Our Directors are of the view that there is no operational dependence by us on each of our Controlling Shareholders and their close associates.

Financial independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Company, independent from our Controlling Shareholders and their close associates. We are able to make financial decisions independently and our Controlling Shareholders and their close associates do not intervene with our use of funds. We have also established an independent audit system, a standardised financial and accounting system and a complete financial management system. In addition, we have sufficient capital to operate our business independently and we have been and are capable of obtaining financing from independent third parties without reliance on our Controlling Shareholders or their close associates.

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During the Track Record Period and as at the Latest Practicable Date, certain banking facilities granted to our Group were guaranteed by our Controlling Shareholders or secured by letters of comfort issued by our Controlling Shareholders. Of our Group's banking facilities as at 31 July 2019, approximately HK\$2,070.0 million were guaranteed or secured by letters of comfort issued by our Controlling Shareholders. Such amount will be replaced by corporate guarantees executed by our Company upon the Listing. For details, please refer to the section headed "Financial information — Indebtedness and contingent liabilities" in this prospectus and Note 23 of the Accountants' Report set out in Appendix I to this prospectus.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their close associates.

Management independence

Our Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. For details of our Directors, please refer to the section headed "Directors and senior management" in this prospectus. The daily operation of our Group is carried out by an independent experienced management team, and we have the capability and personnel to perform all essential administrative functions, including finance, accounting, human resources and business management on a standalone basis. Three out of our nine Directors (the "**Overlapping Directors**"), namely Mr. Guan Manyu, Ms. Chu Ping and Mr. Yang Haojiang hold directorships or management positions in our Controlling Shareholders or their close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The following table sets forth particulars of the Overlapping Directors as at the Latest Practicable Date:

Name	Position(s) held with our Group	Responsibilities	Position(s) held with our Controlling Shareholders or their close associates	Responsibilities
Mr. Guan Manyu	<ul style="list-style-type: none"> chairman and executive Director of our Company director of CR Development chairman and director of CR Construction director of Mount Land director of CR Construction Macau 	overall business development as well as financial and strategic planning of our Group	<ul style="list-style-type: none"> chairman and director of Zhejiang Construction HK director of Zhejiang Construction Investment Group Co. Limited (“Zhejiang Construction Company”) <i>(Note 1)</i> director of Hundred Development (HK) Limited (“Hundred Development”) <i>(Note 2)</i> director of Zhejiang Construction Investment (S) Pte. Limited (“Zhejiang Construction Singapore”) <i>(Note 3)</i> director of CR Investments <i>(Note 4)</i> director of Zhejiang Construction BVI <i>(Note 5)</i> 	high-level decision-making for important strategic and policy matters

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Name	Position(s) held with our Group	Responsibilities	Position(s) held with our Controlling Shareholders or their close associates	Responsibilities
Ms. Chu Ping	<ul style="list-style-type: none"> • executive Director of our Company • director of CR Development • director of CR Construction • director of Mount Land • director of CR Construction Macau 	overseeing daily management of our Group's business operations	<ul style="list-style-type: none"> • director of Zhejiang Construction HK • director of Zhejiang Construction Company^(Note 1) • director of Zhejiang Construction Singapore^(Note 3) • director of CR Investments^(Note 4) • director of Zhejiang Construction BVI^(Note 5) 	high-level decision-making for important strategic and policy matters
Mr. Yang Haojiang	<ul style="list-style-type: none"> • non-executive Director of our Company 	providing strategic advice to our Group	<ul style="list-style-type: none"> • deputy general manager of Zhejiang Construction HK 	overseeing daily management and business operations

Notes:

1. Zhejiang Construction Company is a company incorporated in Hong Kong and wholly-owned by Zhejiang Construction HK. It is principally engaged in working capital management in Hong Kong.
2. Hundred Development is a company incorporated in Hong Kong and owned as to 40% by Zhejiang Construction HK. It is an investment holding company with no business operation.
3. Zhejiang Construction Singapore is a company incorporated in Singapore and owned as to 70% by Zhejiang Construction Investment. It is principally engaged in building construction in Singapore.
4. CR Investments is an investment holding company with no business operation.
5. Zhejiang Construction BVI is an investment holding company with no business operation.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Board as a whole, together with our independent senior management team, is able to perform the managerial role in our Group independently based on the following factors:

- (i) Mr. Guan Manyu is the chairman and a director of Zhejiang Construction HK, a director of Zhejiang Construction Company, a director of Hundred Development, a director of Zhejiang Construction Singapore, a director of CR Investments and a director of Zhejiang Construction BVI. As our chairman and an executive Director, Mr. Guan had been primarily responsible for and had spent more than half of his working hours on the management of strategic and significant business operations of our Group during the Track Record Period and up to the Latest Practicable Date. Since July 2017, Mr. Guan is no longer involved in the day-to-day management of the business operations of Zhejiang Construction HK and has been designated to a role for high-level decision-making for important strategic and policy matters while he has always been only responsible for high-level decision-making for important and strategic and policy matters for each of Zhejiang Construction Company and Zhejiang Construction Singapore. His positions in each of Zhejiang Construction HK, Zhejiang Construction Company and Zhejiang Construction Singapore do not require him to devote substantial amount of time in the day-to-day management of their business operations. In addition, each of Hundred Development, CR Investments and Zhejiang Construction BVI is an investment holding company without business operation. As such, we are of the view that he will be able to function effectively and independently from our Controlling Shareholders and their close associates while acting as our chairman and an executive Director;
- (ii) Ms. Chu Ping is a director of Zhejiang Construction HK, a director of Zhejiang Construction Company, a director of Zhejiang Construction Singapore, a director of CR Investments and a director of Zhejiang Construction BVI. Ms. Chu had been primarily responsible for and had spent more than half of her working hours on the management of strategic and significant business operations of our Group during the Track Record Period and up to the Latest Practicable Date. Since July 2017, Ms. Chu is no longer involved in the day-to-day management of the business operations of Zhejiang Construction HK and has been designated to a role for high-level decision-making for important strategic and policy matters while she has always been only responsible for high-level decision-making for important and strategic and policy matters for each of Zhejiang Construction Company and Zhejiang Construction Singapore. Her positions in each of Zhejiang Construction HK, Zhejiang Construction Company and Zhejiang Construction Singapore do not require her to devote substantial amount of time in the day-to-day management of their business operations. In addition, each of CR Investments and Zhejiang Construction BVI is an investment holding company without business operation. As such, we are of the view that she will be able to function effectively and independently from our Controlling Shareholders and their close associates while acting as an executive Director;
- (iii) Mr. Yang Haojiang is a deputy general manager of Zhejiang Construction HK and is responsible for overseeing its daily management and business operations. With Mr. Yang's individual experiences, his position as a non-executive Director and responsibility for providing strategic advice to our Group will be beneficial to our strategic development;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iv) Other than Mr. Guan Manyu, Ms. Chu Ping and Mr. Yang Haojiang, none of our other six Directors hold any position in our Controlling Shareholders or their close associates;
- (v) Our Board is supported by an experienced full time senior management team, which is principally responsible for the daily management of our business operation. We have the capability and personnel to perform all essential administrative functions, including financial and accounting, human resources and business management on a stand-alone basis;
- (vi) None of our Directors or members of our senior management team has any shareholding interests in our Controlling Shareholders or their close associates;
- (vii) Each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist; and
- (viii) In the event that there is a potential conflict of interest arising from any transaction to be entered into between our Group and our Directors or their respective associates, such interested Director(s) shall abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum. In the event that the Overlapping Directors are required to abstain from voting in any event of conflict of interest, our Board will still be able to function efficiently as our Board consists of three executive Directors and three independent non-executive Directors (out of nine Directors in the Board) who do not hold any position in our Controlling Shareholders or their close associates.

DEED OF NON-COMPETITION

In order to avoid any potential competition between our Controlling Shareholders and our Group, Zhejiang State-owned Capital, Zhejiang Construction Investment, Zhejiang Construction BVI, Zhejiang Construction HK and CR Investments (each the “**Covenantor**” and collectively the “**Covenantors**”) entered into the Deed of Non-Competition in favour of our Company and our subsidiaries.

Pursuant to the Deed of Non-Competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and for the benefit of our subsidiaries) that, save and except as disclosed in the paragraph headed “Business delineation and excluded business” in this section, during the period that the Deed of Non-Competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of our Group) not to carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group or any business activity to be conducted by any member of our Group from time to time.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Each of the Covenantors further undertakes that if he/it or his/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall procure that his/its close associates to promptly notify our Group in writing and our Group shall have a right of first refusal to take up such opportunity. Our Group shall, within 30 days after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal.

Our Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-Competition are conditional upon the Listing Division granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable, waived) and the Underwriting Agreements not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date specified in the Underwriting Agreements (unless such conditions are waived on or before such date) or in any event on or before the date falling 30 days after the date of this prospectus, the Deed of Non-Competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-Competition.

The Deed of Non-Competition shall terminate on the date on which (i) in relation to any Covenantors, when he/it together with his/its close associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company provided that the Deed of Non-Competition shall continue to be in full force and effect as against the other Covenantors; or (ii) our Shares cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholders:

- (i) each of the Covenantors will make an annual confirmation as to compliance with its undertaking under the Deed of Non-Competition for inclusion in the annual report of our Company;
- (ii) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and senior management” in this prospectus;
- (iii) in the event that our independent non-executive Directors shall review any conflict of interests between our Group and our Controlling Shareholders, our Controlling Shareholders shall provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (iv) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-Competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-Competition;
- (v) any transaction between or proposed to be made between our Group and the connected persons will be subject to the requirements under Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular (including independent financial advice) and independent Shareholders’ approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with relevant requirements under the Listing Rules; and
- (vi) our Company has appointed First Shanghai Capital Limited as the compliance adviser, which will provide advice and guidance to our Company in respect of compliance with applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal control.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Shareholder	Nature of interest	Shares held/interested as at the date of this prospectus ^(Note 1)		Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer ^(Note 1)	
		Number	Percentage	Number	Percentage
Zhejiang State-owned Capital ^(Note 2)	Interest in controlled corporation	1,696,000(L)	100%	361,150,000(L)	72.2%
Zhejiang Construction Investment ^(Note 2)	Interest in controlled corporation	1,696,000(L)	100%	361,150,000(L)	72.2%
Zhejiang Construction BVI ^(Note 2)	Interest in controlled corporation	1,696,000(L)	100%	361,150,000(L)	72.2%
Zhejiang Construction HK ^(Note 2)	Interest in controlled corporation	1,696,000(L)	100%	361,150,000(L)	72.2%
CR Investments ^(Note 2)	Beneficial owner	1,696,000(L)	100%	361,150,000(L)	72.2%

Notes:

- The letter (L) denotes the person's long interest in our Shares.
- CR Investments directly held 1,696,000 Shares as at the Latest Practicable Date and will directly hold 361,150,000 Shares immediately following completion of the Capitalisation Issue and the Share Offer. CR Investments is a wholly-owned subsidiary of Zhejiang Construction HK, which is in turn a wholly-owned subsidiary of Zhejiang Construction BVI. Zhejiang Construction BVI is a wholly-owned subsidiary of Zhejiang Construction Investment, which is in turn owned as to 45.95% by Zhejiang State-owned Capital. By virtue of the SFO, each of Zhejiang Construction HK, Zhejiang Construction BVI, Zhejiang Construction Investment and Zhejiang State-owned Capital is deemed to have an interest in the Shares held by CR Investments.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

SHARE CAPITAL

SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, our issued share capital immediately following the Share Offer will be as follows:

Authorised share capital *HK\$*

<u>10,000,000,000</u>	Shares	<u>100,000,000.00</u>
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Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer: *HK\$*

1,696,000	Shares in issue at the date of this prospectus	16,960.00
359,454,000	Shares to be issued pursuant to the Capitalisation Issue	3,594,540.00
<u>138,850,000</u>	Shares to be issued pursuant to the Share Offer	<u>1,388,500.00</u>
<u>500,000,000</u>	Total	<u>5,000,000.00</u>

RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the Listing Date.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 17 September 2019, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 359,454,000 Shares credited as fully paid at par to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 17 September 2019 in proportion to its/their then existing shareholdings (as nearly as possible without involving fractions) by way of capitalisation of the sum of HK\$3,594,540 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer — Conditions of the Public Offer” of this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed

SHARE CAPITAL

conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General mandate to repurchase shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 17 September 2019” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer — Conditions of the Public Offer” of this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

SHARE CAPITAL

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “A. Further information about our Company — 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the sections headed “A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 17 September 2019” and “A. Further information about our Company — 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed “D. Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the constitution of our Company and Cayman Islands Company Law” set out in Appendix III to this prospectus.

CORNERSTONE INVESTORS

CORNERSTONE INVESTMENTS

On 18 September 2019 and 20 September 2019, we have entered into cornerstone investment agreements (the “**Cornerstone Investment Agreements**”, and each a “**Cornerstone Investment Agreement**”) with six cornerstone investors (the “**Cornerstone Investors**”, and each a “**Cornerstone Investor**”) who have agreed to subscribe for such number of Offer Shares which may be purchased with an aggregate amount of approximately HK\$50.5 million (rounded down to the nearest whole board lot of 2,500 Shares) (the “**Cornerstone Placing**”) at the Offer Price.

Assuming an Offer Price of HK\$1.0 (being the low end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors would be 50,500,000 Shares, representing approximately 36.4% of the Offer Shares and 10.1% of the Shares in issue upon completion of Capitalisation Issue and the Share Offer.

Assuming an Offer Price of HK\$1.2 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors would be 42,077,500 Shares, representing approximately 30.3% of the Offer Shares and 8.4% of the Shares in issue upon completion of the Capitalisation Issue and the Share Offer.

Assuming an Offer Price of HK\$1.4 (being the high end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors would be 36,062,500 Shares, representing approximately 26.0% of the Offer Shares and 7.2% of the Shares in issue upon completion of the Capitalisation Issue and the Share Offer.

To the best knowledge of our Company, each of the Cornerstone Investors is independent of our Company, our connected persons and their respective associates (within the meaning of the Listing Rules). The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the Placing. The Offer Shares to be subscribed for by the Cornerstone Investors will rank pari passu in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules. None of the Cornerstone Investors will have any representation on our Board or becomes a Substantial Shareholder of our Company upon completion of the Share Offer and will not subscribe for any Offer Shares under the Share Offer other than pursuant to the Cornerstone Investment Agreements.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing will not be affected by re-allocation of the Offer Shares between the Placing and the Public Offer in the event of over-subscription under the Public Offer as described in the section headed “Structure and Conditions of the Share Offer — The Public Offer — Re-allocation” in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the announcement of allotment results of our Company to be published. Please refer to the section headed “Expected timetable” in this prospectus for the expected time of publication of the allotment results.

CORNERSTONE INVESTORS

THE CORNERSTONE INVESTORS

Based on the Offer Price of HK\$1.0
(being the low-end of the Offer Price range)

Cornerstone Investor	Investment Amount (HK\$ million)	Number of Offer Shares (rounded down to nearest whole board lot of 2,500 Shares)	Approximate % of total number of Offer Shares	Approximate % of total Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer
Ning Shing	25.0	25,000,000	18.0	5.0 ^(Note)
Sha Chan Chung				
Engineering	10.0	10,000,000	7.2	2.0
Royal Karry	8.5	8,500,000	6.1	1.7
Hoi Cheung				
Engineering	5.0	5,000,000	3.6	1.0
Dr. Cheng	1.0	1,000,000	0.7	0.2
Mr. Yeung	1.0	1,000,000	0.7	0.2
Total	50.5	50,500,000	36.4	10.1

Note: Based on the Offer Price of HK\$1.0 (being the low-end of the Offer Price range), Ning Shing will have interests in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Based on the Offer Price of HK\$1.2
(being the mid-point of the Offer Price range)

Cornerstone Investor	Investment Amount (HK\$ million)	Number of Offer Shares (rounded down to nearest whole board lot of 2,500 Shares)	Approximate % of total number of Offer Shares	Approximate % of total Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer
Ning Shing	25.0	20,832,500	15.0	4.2
Sha Chan Chung				
Engineering	10.0	8,332,500	6.0	1.7
Royal Karry	8.5	7,082,500	5.1	1.4
Hoi Cheung				
Engineering	5.0	4,165,000	3.0	0.8
Dr. Cheng	1.0	832,500	0.6	0.2
Mr. Yeung	1.0	832,500	0.6	0.2
Total	50.5	42,077,500	30.3	8.4

CORNERSTONE INVESTORS

**Based on the Offer Price of HK\$1.4
(being the high-end of the Offer Price range)**

Cornerstone Investor	Investment Amount (HK\$ million)	Number of Offer Shares (rounded down to nearest whole board lot of 2,500 Shares)	Approximate % of total number of Offer Shares	Approximate % of total Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer
Ning Shing	25.0	17,855,000	12.9	3.6
Sha Chan Chung				
Engineering	10.0	7,142,500	5.1	1.4
Royal Karry	8.5	6,070,000	4.4	1.2
Hoi Cheung				
Engineering	5.0	3,570,000	2.6	0.7
Dr. Cheng	1.0	712,500	0.5	0.1
Mr. Yeung	1.0	712,500	0.5	0.1
Total	<u>50.5</u>	<u>36,062,500</u>	<u>26.0</u>	<u>7.2</u>

The information about the Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing. Each of the Cornerstone Investors confirmed that the source of funding for the Cornerstone Placing was from their internal resources and were not directly or indirectly financed by any connected person of our Company and their close associates (within the meaning of the Listing Rules) and they were not and would not be accustomed to take any instructions from any such connected person or its close associate in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in their names or otherwise held by them.

Ning Shing (Holdings) Company Limited (“Ning Shing”)

Ning Shing has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,500 Shares) that may be purchased with HK\$25.0 million.

Ning Shing was established in Hong Kong in May 1995. Ning Shing is a state-owned company and wholly owned by the Ningbo Municipal Government. Since its establishment, to the best knowledge of our Directors, (i) Ning Shing has played an important role in various domains to connect overseas Ningbo businessmen, investment promotions and talent attraction; and (ii) with the continuous business development, Ning Shing has grown into an integrated holding company with a diversified business portfolio in the realms of trade, industry, investment and service, such as real estate development, telecommunications, culture media and shipbuilding.

The director of Ning Shing, Mr. Chen Zhiang became personally acquainted with the chairman of our Board, Mr. Guan Manyu in 2017 in a Hong Kong business communication forum for mainland and Hong Kong enterprises. Ning Shing, as a financial investor, decided to invest in our Company as it is confident in our business prospects and growth potential in the traditional construction industry.

CORNERSTONE INVESTORS

Sha Chan Chung Civil Engineering Limited (“Sha Chan Chung Engineering”)

Sha Chan Chung Engineering has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,500 Shares) that may be purchased with HK\$10.0 million.

Sha Chan Chung Engineering is a company incorporated in Hong Kong in August 2019 and is wholly-owned by Mr. Cheung Tsz Lung. It is principally engaged in the construction sector as a formwork works subcontractor and mainly tenders governmental and private formwork works projects in Hong Kong.

Mr. Cheung Tsz Lung became personally acquainted with the chairman of our Board, Mr. Guan Manyu in 2015 through his parents who have also been working in the construction industry. Mr. Cheung Tsz Lung decided to invest in our Company via Sha Chan Chung Engineering as he is confident in our business prospects and reputation with a proven track record in Hong Kong building construction works.

Royal Karry HK Engineer Limited (“Royal Karry”)

Royal Karry has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,500 Shares) that may be purchased with HK\$8.5 million.

Royal Karry is a company incorporated in Hong Kong in February 2018 and a subsidiary indirectly wholly-owned by Watts International Maritime Engineering Limited (“**Watts International**”), the shares of which are listed on the Stock Exchange (stock code: 2258). Watts International and its subsidiaries principally provide port, waterway and marine engineering business, including infrastructure construction of ports and waterway engineering services in the PRC and Southeast Asia.

The chief financial officer of Watts International, Mr. Ye Sheng, became personally acquainted with the chairman of our Board, Mr. Guan Manyu through introduction by a mutual friend in 2016. Watts International decided to invest in our Group via Royal Karry as Mr. Ye Sheng is confident in the future prospects of our Group and that the investment will benefit Watts International.

Hoi Cheung Engineering Company Limited (“Hoi Cheung Engineering”)

Hoi Cheung Engineering has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,500 Shares) that may be purchased with HK\$5.0 million.

Hoi Cheung Engineering is a company incorporated in Hong Kong in August 2008 and is wholly-owned by Mr. Chan Tsan Hoi. Hoi Cheung Engineering is principally engaged in construction engineering and is one of our top five largest subcontractors during the Track Record Period. For details on our transaction amounts with Hoi Cheung Engineering during the Track Record Period, please refer to the section headed “Business — Our subcontractors” in this prospectus.

CORNERSTONE INVESTORS

Mr. Lee Chi Hung, the managing director and quantity surveyor of Hoi Cheung Engineering became personally acquainted with the chairman of our Board, Mr. Guan Manyu in 2000. From September 2007 to January 2010, he worked as project quantity surveyor in Zhejiang Construction HK. Hoi Cheung Engineering decided to invest in our Company as Mr. Lee Chi Hung is confident in the future prospects of our Group under the management of Mr. Guan Manyu.

Dr. Cheng Faat Ting Gary (“Dr. Cheng”)

Dr. Cheng has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,500 Shares) that may be purchased with HK\$1.0 million.

Dr. Cheng, as Fellow Certified Public Accountant in both Hong Kong and the USA and a Certified Tax Advisor of the Taxation Institute of Hong Kong, has over 24 years of experience in financial reporting, business advisory, auditing, accounting, tax investigation and liquidation. Dr. Cheng is currently the managing director of Gary Cheng CPA Limited and an independent non-executive director of Niche-Tech Group Limited (stock code: 8490) and Smartac Group China Holdings Limited (stock code: 395). For public services, Dr. Cheng currently serves as chairman of CityU Eminence Society, charter president of the Lion Club of Huaxia Hong Kong and committee member of Social Welfare Advisory Committee of HKSAR.

Dr. Cheng became personally acquainted with the chairman of our Board, Mr. Guan Manyu in 2004 through providing accounting compliance advisory services. Dr. Cheng decided to invest in our Company in his name as he is confident in the future prospects of our Group in light of our proven track record.

Mr. Yeung Fun Bun (“Mr. Yeung”)

Mr. Yeung has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,500 Shares) that may be purchased with HK\$1.0 million.

Mr. Yeung is the chairman of Kam Wah Holdings Limited (“**Kam Wah**”), which was incorporated in Hong Kong in May 2005 and engaging in the business of real estate development, for example, Kam Wah cooperated with Wang On Group Limited (stock code: 1222) (“**Wang On**”) in the development of a villa project in Pok Fu Lam in Mid-levels West which is expected to be launched in the second half of 2019/20.

Mr. Yeung became personally acquainted with the chairman of our Board, Mr. Guan Manyu in 2016 in a residential development project co-developed by Kam Wah and Wang On under which Zhejiang Construction HK acted as a main contractor. Mr. Yeung decided to invest in our Company with his personal savings as he is confident about our future development in Hong Kong building construction works.

Save as disclosed above, each of the Cornerstone Investors and their respective beneficial owners (as the case may be) did not have any past or present relationship (including but not limited to, family, business, employment relationship) or any other agreements, arrangements or understanding with our Group, Directors, senior management, or Substantial Shareholders or any of their respective associates.

CORNERSTONE INVESTORS

CONDITIONS PRECEDENT

The obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (i) the Underwriting Agreements having been entered into by the relevant parties, having become unconditional and all of the conditions precedent set forth therein having been satisfied (or waived) by no later than the respective time and date as specified therein, and not having been terminated;
- (ii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) and such approval or permission not having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange;
- (iii) the respective representations, warranties, undertakings and acknowledgments of the Cornerstone Investors being accurate and true in all material respects and not misleading and there having been no material breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors; and
- (iv) no laws having been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Public Offer, the Placing or under the Cornerstone Investment Agreements and there having been no orders or injunctions from a governmental authority in effect precluding or prohibiting consummation of such transactions.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company, the Joint Bookrunners and the Sole Sponsor, it will not, directly or indirectly, at any time during a lock-up period (the “**Lock-up Period**”) following the Listing Date dispose of any of the Shares to be subscribed for by it pursuant to the Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned companies which will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

The table below sets forth the Lock-up Period each Cornerstone Investor is subject to pursuant to the respective Cornerstone Investment Agreement:

Cornerstone Investor	Lock-up Period (months)
Ning Shing	6
Sha Chan Chung Engineering	12
Royal Karry	6
Hoi Cheung Engineering	12
Dr. Cheng	12
Mr. Yeung	6

FINANCIAL INFORMATION

You should read this section in conjunction with our financial information, including the notes, thereto, as set out in the section headed “Accountants’ Report” in Appendix I to this prospectus. The financial information has been prepared in accordance with HKFRSs. You should read the entire Accountants’ Report and not merely rely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in the section headed “Risk factors” in this prospectus.

OVERVIEW

We are one of the leading building contractors in Hong Kong with over 50 years of experience. We principally act as a main contractor in building construction works and RMAA works projects across public and private sectors in Hong Kong. According to the CIC Report, we ranked the third among all main contractors in Hong Kong in terms of revenue from building construction works for the year ended 31 December 2018 with a market share of approximately 5.2%.

During the Track Record Period, we mainly took the role of main contractor. As a main contractor, we are responsible for (i) overall management of the projects; (ii) formulating work programmes; (iii) engaging subcontractors and supervising their works; (iv) sourcing construction materials; (v) communication and coordination with our customers and their consultant teams; and (vi) safeguarding compliance with safety, environmental and other contractual requirements.

During the Track Record Period, all of our building construction works and most of our RMAA works were project-based while some of our RMAA works, in particular maintenance works, were term contract based. During the Track Record Period, we derived the majority of our revenue from building construction works and experienced significant growth in our revenue. The total revenue of our Group were approximately HK\$2,577.4 million, HK\$3,141.4 million, HK\$4,813.9 million and HK\$1,115.0 million for each of the three years ended 31 December 2018 and the three months ended 31 March 2019, respectively.

During the Track Record Period, we have completed 16 building construction works and nine RMAA works projects, the aggregate original contract sum of which amounted to approximately HK\$8,710.9 million and HK\$876.5 million, respectively. After the Track Record Period and up to the Latest Practicable Date, we have completed two building construction works projects, with aggregate original contract sum of approximately HK\$254.5 million. As at the Latest Practicable Date, we had nine ongoing building construction works projects and eight ongoing RMAA works projects, the

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aggregate original contract sum of which amounted to approximately HK\$10,403.1 million and HK\$1,488.6 million, respectively. As at the Latest Practicable Date, we have been awarded one RMAA works project with an original contract sum of approximately HK\$3.2 million, in which we have not commenced on-site works.

According to the CIC Report, it is estimated that the growth drivers of the building construction works industry in Hong Kong will cause an increase in the total gross output value of building construction works from approximately HK\$89.7 billion in 2018 to approximately HK\$131.3 billion in 2023 with a CAGR of 7.9%. These growth drivers include (i) the Government is expected to increase the land supply for both public housing and private residential development in order to meet the continuously rising demand for housing units; (ii) more residential units and hotels will be built in Hong Kong in the future to accommodate the increasing population and the number of tourists visiting Hong Kong; (iii) investment in public infrastructure projects are expected to spur on demand for related construction work; and (iv) the rapid increase in real estate prices has driven property developers to increase their investments into Hong Kong's real estate market, which has driven the continued growth of the building construction works industry. Our Directors believe that with our competitive strengths, we are in a strong position to secure new business opportunities in the construction industry in Hong Kong.

BASIS OF PRESENTATION

Our Company is a limited liability company incorporated in the Cayman Islands on 20 July 2017. Pursuant to the section headed “History, Reorganisation and Group structure — Reorganisation” in this prospectus, our Company became the holding company of the companies now comprising our Group on 9 February 2018. As the Reorganisation only involved the insertion of new holding companies at the top of an existing holding company and has not resulted in any change of economic substance, our financial information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

Our financial information has been prepared in accordance with HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2019 together with the relevant transitional provisions, have been consistently applied by our Group in preparation of our financial information throughout the Track Record Period. Our financial information has been prepared under the historical cost convention and is presented in Hong Kong dollars.

KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition during the Track Record Period have been and will continue to be affected by a number of factors, including but not limited to those set forth in the section headed “Risk factors” in this prospectus and as set out below:

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Our performance is dependent on market conditions and trends in the construction industry and in the overall economy of Hong Kong which may change adversely

Most of our operations and management are currently located in Hong Kong. Any policy that may have a negative impact on investment sentiment in Hong Kong may, in turn, have an impact on the general economy of Hong Kong and hence the prospects of the construction industry in Hong Kong. The future growth and level of profitability of the construction industry in Hong Kong mostly rely on the continued availability of major construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the Government's spending pattern on the construction industry in Hong Kong, the general conditions and prospects of Hong Kong's economy, the land supply in Hong Kong, as well as the approval of the related government budgets. These factors may affect the availability of construction projects from the public sector and private sector. The cyclical trend of the Hong Kong economy, currency and interest rate policies, or investment sentiments may also affect the construction industry as a whole. If there is any recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or if the demand for construction works in Hong Kong deteriorates, our operations and profitability could be adversely affected.

Inaccurate estimation of project duration and costs when determining the tender price may result in substantial loss

Construction contracts are usually awarded through competitive tendering process in Hong Kong. We have to estimate the construction time and costs in order to determine the tender price. During the Track Record Period, our revenue was generally derived from fixed-price contracts. During the actual implementation of the project, which usually takes months or years to complete, we cannot guarantee that the actual construction time and costs would not exceed our estimation.

The time taken and the costs may be adversely affected by many factors, including shortage and cost escalation of construction materials and labour over the term of a contract, adverse weather conditions, additional variations (such as changes to the construction plans requested by our customers or requirements of technical construction), disputes with subcontractors, accidents and unforeseen problems and circumstances. Any of these can cause delay in completion of construction works, cost overruns or even unilateral termination of projects by our customers.

As a whole, if our estimates of the overall risks, revenue or costs prove inaccurate, or circumstances change, we may experience lower profitability or even make losses on our contracts, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Our Group relies on subcontractors to implement the contracts and there is no guarantee that these subcontractors will continue to provide services to us at fees acceptable to us or our relationship with them could be maintained in the future

As the main contractor for most projects, we engage third party subcontractors to perform the works under our contracts. For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, our subcontracting fees accounted for approximately 85.8%, 77.4%, 83.4% and 84.6% of our contract costs, respectively.

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Subcontracting exposes us to risks associated with non-performance, delayed performance or substandard performance by subcontractors or third parties. Quality or delivery of our construction projects may be deteriorated as a result. These events may have impact upon our profitability, financial performance and reputation, or result in litigation or damage claims. Our subcontractors may be exposed to charges in relation to violation of safety, environmental and/or employment laws and regulations which may affect their renewal or revocation of their licences. If this happens, we will have to appoint another subcontractor(s) for replacement and additional costs may be incurred. Moreover, if our subcontractors violate any laws, rules or regulations in relation to health and safety matters, we may sometimes be subject to prosecutions by relevant authorities.

There is no guarantee that our principal subcontractors will continue to provide services to our Group at fees acceptable to us or our relationship with them could be maintained in the future. If any of our principal subcontractors are unable to provide the required services to our Group or their costs for providing the required services increase substantially, our business, results of operations, financial condition and prospects may be adversely affected.

Majority of our Group's business is project-based. Fee collection and profit margin depend on the terms of the work contract and may not be regular

During the Track Record Period, the majority of our total revenue was derived from project-based works. Fee collection and profit margin significantly depend on various factors, such as the terms of the work contracts, the length of the contractual period and the efficiency of implementation of the contractual works. In such connection, the income flow of the business of our Group is irregular and is subject to different factors beyond the control of our Group. As such, there can be no guarantee that the profitability of a project can be maintained or accurately estimated. Furthermore, the profit margin, the fee collection by our Group, and time for revenue recognition depend on the terms of the work contracts and may also be irregular. Our results of operations and financial position could be adversely affected if the fee collection pattern significantly deviates from the estimation by our executive Directors.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Accountants' Report in Appendix I to this prospectus sets out further information regarding certain significant accounting policies in note 3, which are important for understanding the financial condition and results of operations of our Group. Some of our accounting policies involve subjective assumptions, estimates and judgements and they are discussed in notes 3 and 4 to the Accountants' Report set out in Appendix I to this prospectus. In the application of our accounting policies, our management is required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. Our estimates and other associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis. Please refer to notes 3 and 4 to the Accountants' Report in Appendix I to this prospectus for further information.

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Application of HKFRS 9, HKFRS 15 and HKFRS 16

HKFRS 9

Our Group has adopted HKFRS 9 on a consistent basis throughout the Track Record Period. The adoption of HKFRS 9 had no significant impact on our Group's financial position and performance as compared with the requirements of HKAS 39.

HKFRS 15

Our Group has adopted HKFRS 15 on a consistent basis throughout the Track Record Period. Under HKAS 11, the Group mainly accounted for revenue from construction contracts using the percentage of completion method, measured by reference to the percentage of certified value of work performed to date to the total contract sum of the relevant contract. Profit is only recognised when the work is sufficiently advanced such that the costs to complete and the revenue can be reliably estimated. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as gross amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as gross amount due to contract customers.

Under HKFRS 15, revenue from construction contracts will continue to be recognised over time when the Group creates or enhances an asset that the customer controls overtime in accordance with the direct measurements of the value transferred by the Group to the customer with reference to the certified value of work performed to date. A contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. The costs that relate to satisfied performance obligations in a contract will be recognised to profit or loss immediately.

The retention receivables arising from construction contracts, that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in trade and retention receivables under HKAS 11 and reclassified to contract assets under HKFRS 15.

The adoption of HKFRS 15 had resulted an impact on the Group's revenue but no significant impact on our Group's overall financial position and profits throughout the Track Record Period as compared to the requirements of HKAS 18 and HKAS 11.

HKFRS 16

Our Group has elected to early adopt HKFRS 16 on a consistent basis throughout the Track Record Period. The adoption of HKFRS 16 had no significant impact on our Group's financial position and performance as compared with the requirements of HKAS 17. The adoption of HKFRS 16 had no significant impact on our Group's financial ratios including gearing ratio, current ratio and quick ratio, nor on our Group's financial position including net assets and performance such as net profit as compared to that of HKAS 17.

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SUMMARY OF RESULTS OF OPERATIONS

Our consolidated statements of profit or loss during the Track Record Period are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus. As such, the following sections should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

	For the year ended 31 December			For the three months ended 31 March	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	2,577,398	3,141,390	4,813,860	1,102,972	1,115,023
Contract costs	(2,456,929)	(2,975,430)	(4,628,400)	(1,050,959)	(1,061,716)
Gross profit	120,469	165,960	185,460	52,013	53,307
Other income	352	1,121	1,777	493	374
Administrative expenses	(65,710)	(83,450)	(101,448)	(24,554)	(26,976)
Other gain/(loss), net	(123)	120	(136)	(26)	(1,996)
Finance costs	(291)	(1,178)	(3,150)	(202)	(2,348)
Listing expenses	—	(9,334)	(5,457)	(595)	(1,490)
Profit before tax	54,697	73,239	77,046	27,129	20,871
Income tax expenses	(8,828)	(14,346)	(13,615)	(4,829)	(3,755)
Profit for the year/period	<u>45,869</u>	<u>58,893</u>	<u>63,431</u>	<u>22,300</u>	<u>17,116</u>

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

We are one of the leading building contractors in Hong Kong with over 50 years of experience and we have built up strong reputation in the construction industry and completed various types of public and private sector projects. Leveraging our reputation and experience from the proven track record in the Hong Kong building construction works, we successfully secured several construction projects with the contract sum over HK\$1,000 million, including Projects C1, C17, C20, C33, C16, C18 and C19, and experienced robust growth in our revenue during the Track Record Period. Our Group's revenue was principally generated from the provision of building construction works and RMAA works services in Hong Kong. We generated revenue of approximately HK\$2,577.4 million, HK\$3,141.4 million, HK\$4,813.9 million and HK\$1,115.0 million for each of the three years ended 31 December 2018 and the three months ended 31 March 2019, respectively.

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The following table sets forth the breakdown of our revenue during the Track Record Period by types of services provided:

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Building construction works	2,212,888	85.9	2,880,755	91.7	4,667,860	97.0	1,060,790	96.2	1,073,773	96.3
RMAA works	364,510	14.1	260,635	8.3	146,000	3.0	42,182	3.8	41,250	3.7
	<u>2,577,398</u>	<u>100.0</u>	<u>3,141,390</u>	<u>100.0</u>	<u>4,813,860</u>	<u>100.0</u>	<u>1,102,972</u>	<u>100.0</u>	<u>1,115,023</u>	<u>100.0</u>

The majority of our revenue during the Track Record Period was derived from contract work for building construction. Generally, building construction projects undertaken by the Group generally takes over one year to complete and the substantial revenue is recognised during the middle-stage of the project when the substantial works are progressed. Our revenue derived from contract work for building construction increased by approximately HK\$667.9 million or 30.2% from approximately HK\$2,212.9 million for the year ended 31 December 2016 to approximately HK\$2,880.8 million for the year ended 31 December 2017. Such increase was mainly attributable to Project C17^(Note) and Project C19, both of which commenced in 2016 and recorded substantial progress in 2017, contributed substantial revenue of approximately HK\$592.9 million and approximately HK\$552.4 million for the year ended 31 December 2017, respectively.

Our revenue derived from contract work for building construction increased by approximately HK\$1,787.1 million or 62.0% from approximately HK\$2,880.8 million for the year ended 31 December 2017 to approximately HK\$4,667.9 million for the year ended 31 December 2018. There was a significant growth in our revenue for the year ended 31 December 2018 primarily because a number of projects such as Projects C16, C18 and C20 that had substantial work progress in 2018. We had relatively higher tender success rate for the year ended 31 December 2017 since we offered more favourable price after we practically completed projects including Projects C1, C2 and C3 in the latter half of the year ended 31 December 2016, and had more resources and workforce available after 2016. For further information, please refer to the section headed “Business — Our projects — Tender”. Projects C16 and C18, which were successfully tendered and subsequently commenced in 2017, had substantial work progress in 2018 and contributed an aggregate revenue of approximately HK\$1,557.3 million for the year ended 31 December 2018. In addition, Project C20 which commenced by the end of 2016 also had substantial work progress in 2018 and contributed a revenue of approximately HK\$606.0 million for the year ended 31 December 2018.

Note: Please refer to the section headed “Business — Our projects” in this prospectus for details of the projects referred to in this section by their respective project codes.

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Our revenue derived from contract work for building construction increased by approximately HK\$13.0 million or 1.2% from approximately HK\$1,060.8 million for the three months ended 31 March 2018 to approximately HK\$1,073.8 million for the three months ended 31 March 2019. Such increase was mainly due to Project C33, which commenced in July 2018 and recorded significant work progress, and was partially offset by Project C20 and Project C21, which had less work progress for the three months ended 31 March 2019.

Our revenue derived from contract work for RMAA decreased by approximately HK\$103.9 million or 28.5% from approximately HK\$364.5 million for the year ended 31 December 2016 to approximately HK\$260.6 million for the year ended 31 December 2017. The decrease was mainly due to Project C12, which was practically completed in February 2017, contributed less revenue for the year ended 31 December 2017 than it did for the year ended 31 December 2016. Our revenue derived from contract work for RMAA decreased by approximately HK\$114.6 million or 44.0% from approximately HK\$260.6 million for the year ended 31 December 2017 to approximately HK\$146.0 million for the year ended 31 December 2018. The decrease was mainly due to Project C29, which was practically completed in September 2017 with revenue of approximately HK\$105.3 million recorded for the year ended 31 December 2017, while no revenue was contributed by Project C29 for the year ended 31 December 2018. Our revenue derived from contract work for RMAA decreased by approximately HK\$0.9 million or 2.1% from approximately HK\$42.2 million for the three months ended 31 March 2018 to approximately HK\$41.3 million for the three months ended 31 March 2019. The decrease was mainly due to a RMAA project, which was practically completed in August 2018, and was partially offset by two RMAA projects, which commenced in February 2018 and December 2018, respectively, and recorded more work progress for the three months ended 31 March 2019 compared to the three months ended 31 March 2018.

During the Track Record Period, all of our revenue was derived from customers located in Hong Kong.

Our customers can be divided into two categories: (a) customers from the public sector including various Government departments such as the Housing Authority and the Education Bureau, educational institutions and NGOs; and (b) customers from the private sector such as private property developers and other listed and private companies. The following table sets forth the breakdown of our revenue by customer sectors during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March					
	2016		2017		2018		2018		2019			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	(unaudited)	
Private sector	1,812,136	70.3	2,669,185	85.0	4,366,372	90.7	965,139	87.5	1,044,772	93.7		
Public sector	765,262	29.7	472,205	15.0	447,488	9.3	137,833	12.5	70,251	6.3		
	<u>2,577,398</u>	<u>100.0</u>	<u>3,141,390</u>	<u>100.0</u>	<u>4,813,860</u>	<u>100.0</u>	<u>1,102,972</u>	<u>100.0</u>	<u>1,115,023</u>	<u>100.0</u>		

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The following table sets forth the reconciliation between the amounts of transaction price allocated to the remaining performance obligations as at 31 March 2019 and the balance of outstanding contract sum as at the Latest Practicable Date is as follows:

	<i>HK\$' million</i>
Remaining performance obligation as at 31 March 2019	7,259.2
RMAA under term contracts which is included in outstanding contract sum ^(Note 1)	210.4
Original contract sum of new projects commenced from 1 April 2019 to the Latest Practicable Date	1,256.0
Revenue recognised from projects during the period from 1 April 2019 to the Latest Practicable Date	(2,193.7)
Adjusted variance orders ^(Note 2)	<u>55.3</u>
Outstanding contract sum as at the Latest Practicable Date	<u><u>6,587.2</u></u>

Notes:

- As disclosed under section headed "Appendix I — Performance obligations — RMAA under term contracts" in this prospectus, the performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of RMAA services, hence, the Group has elected not to disclose the remaining performance obligations for this type of contracts.

However, based on the past experience, the Directors are of the view that it is reasonable to include the RMAA under the term contract in the outstanding contract sum upon the receipt of the letter of award, because the total revenue to be recognised in the contract period are normally more than the contract sum stated in the RMAA under the term contract.

- Alternatives to the scope of work in the form of an addition, substitution or omission from the original scope of work.

Contract costs

Our contract costs primarily represent costs directly associated with the provision of building construction works and RMAA works services. The following table sets out the breakdown of our contract costs incurred by nature during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	<i>(unaudited)</i>									
Subcontracting fees	2,106,944	85.8	2,301,930	77.4	3,860,576	83.4	897,129	85.4	898,455	84.6
Material costs	123,323	5.0	298,706	10.0	328,852	7.1	57,120	5.4	63,827	6.0
Staff cost	140,516	5.7	226,767	7.6	280,255	6.1	61,635	5.9	59,865	5.6
Others	<u>86,146</u>	<u>3.5</u>	<u>148,027</u>	<u>5.0</u>	<u>158,717</u>	<u>3.4</u>	<u>35,075</u>	<u>3.3</u>	<u>39,569</u>	<u>3.8</u>
Contract costs	<u><u>2,456,929</u></u>	<u><u>100.0</u></u>	<u><u>2,975,430</u></u>	<u><u>100.0</u></u>	<u><u>4,628,400</u></u>	<u><u>100.0</u></u>	<u><u>1,050,959</u></u>	<u><u>100.0</u></u>	<u><u>1,061,716</u></u>	<u><u>100.0</u></u>

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Contract costs are primarily comprised of:

- (i) **Subcontracting fees:** Subcontracting fees represent the fees paid and payable to subcontractors who carry out building construction works or RMAA works for our projects. For each of the three years ended 31 December 2018 and the three months ended 31 March 2018 and 2019, our subcontracting fees amounted to approximately HK\$2,106.9 million, HK\$2,301.9 million, HK\$3,860.6 million, HK\$897.1 million and HK\$898.5 million, respectively, representing approximately 85.8%, 77.4%, 83.4%, 85.4% and 84.6% of our contract costs for the corresponding periods, respectively.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our subcontracting fees on our profit before tax during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations of our subcontracting fees	For the year ended 31 December			For the three months ended 31 March	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
If our subcontracting fees had been 5% higher/lower					
Decrease/increase in profit before taxation	-/+105,347	-/+115,097	-/+193,029	-/+ 44,856	-/+ 44,923
Percentage decrease/increase in profit before taxation	-/+192.6%	-/+157.2%	-/+250.5%	-/+165.3%	-/+215.2%
If our subcontracting fees had been 10% higher/lower					
Decrease/increase in profit before taxation	-/+210,694	-/+230,193	-/+386,058	-/+ 89,713	-/+ 89,846
Percentage decrease/increase in profit before taxation	-/+385.2%	-/+314.3%	-/+501.1%	-/+330.7%	-/+430.5%

- (ii) **Material costs:** Material costs mainly represent costs of building and decorative materials installed/utilised in our projects. For each of the three years ended 31 December 2018 and the three months ended 31 March 2018 and 2019, our material costs amounted to approximately HK\$123.3 million, HK\$298.7 million, HK\$328.9 million, HK\$57.1 million and HK\$63.8 million, respectively, representing approximately 5.0%, 10.0%, 7.1%, 5.4% and 6.0% of our contract costs for the corresponding periods, respectively.

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our material costs on our profit before tax during the Track Record Period. The hypothetical fluctuation rates are set at 10% and 20% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations of our material costs	For the year ended 31 December			For the three months ended 31 March	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
If our material costs, had been 10% higher/lower					
Decrease/increase in profit before taxation	-/+12,332	-/+29,871	-/+32,885	-/+ 5,712	-/+ 6,383
Percentage decrease/increase in profit before taxation	-/+22.5%	-/+40.8%	-/+42.7%	-/+ 21.1%	-/+ 30.6%
If our material costs, had been 20% higher/lower					
Decrease/increase in profit before taxation	-/+24,665	-/+59,741	-/+65,770	-/+11,424	-/+12,765
Percentage decrease/increase in profit before taxation	-/+45.1%	-/+81.6%	-/+85.4%	-/+ 42.1%	-/+ 61.2%

(iii) Staff costs represent salaries, wages and other benefits of site management staff.

(iv) Others represent construction levy, rental and installation cost of machinery and other miscellaneous site expenditure etc.

Gross profit and gross profit margin

Our gross profit were approximately HK\$120.5 million, HK\$166.0 million, HK\$185.5 million and HK\$53.3 million for each of the three years ended 31 December 2018 and the three months ended 31 March 2019, respectively, while our gross profit margin were approximately 4.7%, 5.3%, 3.9% and 4.8% for the same reporting periods, respectively.

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The following table sets forth the breakdown of our gross profit and gross profit margin by types of services provided during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(unaudited)</i>									
Building construction works	100,677	4.5	153,357	5.3	180,491	3.9	52,021	4.9	50,991	4.7
RMAA works	19,792	5.4	12,603	4.8	4,969	3.4	(8)	(0.02)	2,316	5.6
Overall	<u>120,469</u>	<u>4.7</u>	<u>165,960</u>	<u>5.3</u>	<u>185,460</u>	<u>3.9</u>	<u>52,013</u>	<u>4.7</u>	<u>53,307</u>	<u>4.8</u>

Our gross profit of building construction works amounted to approximately HK\$100.7 million, HK\$153.4 million and HK\$180.5 million for each of the three years ended 31 December 2018, respectively. The increase was mainly attributable to the increase in revenue derived from contract work for building construction. Our gross profit margin of building construction works were approximately 4.5%, 5.3% and 3.9% for each of the three years ended 31 December 2018, respectively. The lower gross profit margin of building construction works for the year ended 31 December 2016 compared to the year ended 31 December 2017 was attributable to the cost overrun of a project, which was completed before the Track Record Period and recorded loss of approximately HK\$9.9 million for the year ended 31 December 2016. For details of the cost overrun project, please refer to the section headed “Business — Pricing strategy” in this prospectus. The higher gross profit margin of building construction works for the year ended 31 December 2017 compared to the year ended 31 December 2018 was primarily due to Project C2 and Project C19. Project C2 was practically completed in 2016 with the defects liability period ended in 2017. As a result, the expected outcome was more certain and final accounts for subcontracting fees could be estimated by our quantity surveyors with higher certainty. Hence, adjustments on the over accrued costs provided in prior periods were made in 2017. Besides, for the Project C19, the subcontracting fees paid to the subcontractors carried out stone, suspended ceiling and painting works during the year ended 31 December 2017 were lower than expected and therefore higher profit margin was recorded. For the year ended 31 December 2018, we recorded relatively lower gross profit margin of approximately 3.9%. It was mainly attributable to (i) the Group adopted a competitive pricing strategy by offering a more competitive price for certain tenders during the Track Record Period, and the construction works of certain awarded contracts in 2017 and 2018 were carried out during 2018 with a relatively thin gross profit margin; and (ii) two projects were recorded loss of approximately HK\$7.4 million and HK\$10.7 million for the year ended 31 December 2018 due to the cost overrun. For details of the competitive pricing strategy and cost overrun projects, please refer to the section headed “Business — Pricing strategy” in this prospectus.

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For the three months ended 31 March 2018 and 2019, our gross profit of building construction works amounted to approximately HK\$52.0 million and HK\$51.0 million, respectively, while our gross profit margin of building construction works were approximately 4.9% and 4.7%, respectively. Both gross profit and gross profit margin of building construction works remained relatively stable for the three months ended 2018 and 2019.

Our gross profit of RMAA works amounted to approximately HK\$19.8 million, HK\$12.6 million and HK\$5.0 million for each of the three years ended 31 December 2018, respectively. The decrease in gross profit of RMAA works was mainly attributable to the decrease in revenue from RMAA works. Our gross profit margin of RMAA works were approximately 5.4%, 4.8% and 3.4% for each of the three years ended 31 December 2018, respectively. The higher gross profit margin of RMAA works for the year ended 31 December 2016 was primarily because the actual costs of a project completed in 2014 were found to be lower than the accrued cost during finalising the accounts with the subcontractors in 2016. The lower gross profit margin of RMAA works for the year ended 31 December 2018 compared to the year ended 31 December 2017 was mainly due to the actual revenue of a RMAA project completed in 2017 were found to be lower than the estimated revenue during finalizing the accounts with the customer in 2018.

For the three months ended 31 March 2018 and 2019, our gross profit of RMAA works amounted to approximately -HK\$8,000 and HK\$2.3 million, respectively, while our gross profit margin of RMAA works were approximately -0.02% and 5.6%, respectively. The negative gross profit and negative gross profit margin for the three months ended 31 March 2018 was mainly due to the Group incurred fixed cost in a term contract while no work orders issued by our customer during that period. Under term contracts, the cost of services paid/payable by us mainly consisted of subcontracting fees, material costs and staff costs, among which the staff costs are relatively of fixed cost in nature and do not vary significantly with our revenue. The increase in gross profit and gross profit margin of RMAA works for the three months ended 31 March 2019 was mainly due to the better profit margins for three RMAA works projects commenced in the second half of 2018.

The following table sets forth the breakdown of the gross profit and gross profit margin by private and public sectors during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(unaudited)</i>									
Private sector	84,864	4.7	107,096	4.0	157,654	3.6	44,576	4.6	51,411	4.9
Public sector	35,605	4.7	58,864	12.5	27,806	6.2	7,437	5.4	1,896	2.7
Overall	120,469	4.7	165,960	5.3	185,460	3.9	52,013	4.7	53,307	4.8

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The reason for the significantly higher gross profit margin for public sectors works during the year ended 31 December 2017 was primarily due to Project C2 recorded higher gross profit for the year ended 31 December 2017, which has been discussed in earlier part of this section.

Our Directors are of the view that customer sector is not a major factor affecting the gross profit margin of a particular project and the gross profit margin of a project mainly depends on factors including job natures, level of competition and our tendering strategies.

Other income

Our other income primarily consists of interest income and others. The following table sets out our Group's other income during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Interest income	109	31.0	824	73.5	1,484	83.5	475	96.3	121	32.4
Others <i>(Note)</i>	243	69.0	297	26.5	293	16.5	18	3.7	253	67.6
	<u>352</u>	<u>100.0</u>	<u>1,121</u>	<u>100.0</u>	<u>1,777</u>	<u>100.0</u>	<u>493</u>	<u>100.0</u>	<u>374</u>	<u>100.0</u>

Note: Others included various one-off sundry income, rental income from subleasing property, rental income from machinery and income from sales of scrap.

Administrative expenses

The following table sets out our Group's administrative expenses during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Staff costs	45,943	69.9	56,128	67.3	64,500	63.6	15,736	64.1	18,747	69.5
Rental, rates and building management fee	997	1.5	4,219	5.1	2,057	2.0	516	2.1	543	2.0
Office expenses	3,726	5.7	5,891	7.1	7,869	7.8	2,015	8.2	950	3.5
Depreciation of property, plant and equipment	3,121	4.7	1,882	2.3	5,764	5.7	1,390	5.7	1,384	5.1
Depreciation of right-of-use assets	4,753	7.2	5,956	7.1	12,072	11.9	2,899	11.8	3,060	11.3

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	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Transportation	1,576	2.4	1,382	1.7	2,514	2.5	601	2.4	689	2.6
Bank charges	1,505	2.3	790	0.9	244	0.2	197	0.8	169	0.6
Professional charges	1,554	2.4	2,003	2.4	2,162	2.1	424	1.7	570	2.1
Others <i>(Note)</i>	2,535	3.9	5,199	6.1	4,266	4.2	776	3.2	864	3.3
	<u>65,710</u>	<u>100.0</u>	<u>83,450</u>	<u>100.0</u>	<u>101,448</u>	<u>100.0</u>	<u>24,554</u>	<u>100.0</u>	<u>26,976</u>	<u>100.0</u>

Note: Others mainly included business development expenses and insurance expenses.

Our administrative expenses mainly consist of (i) staff costs, (ii) rental, rates and building management fee; (iii) office expenses; and (iv) depreciation. Our administrative expenses amounted to approximately HK\$65.7 million, HK\$83.5 million, HK\$101.4 million and HK\$27.0 million for each of the three years ended 31 December 2018 and the three months ended 31 March 2019, respectively, which accounted for approximately 2.5%, 2.7%, 2.1% and 2.4% of our revenue for the corresponding periods, respectively. Please refer to the paragraph headed “Comparison of results of operations” in this section for the discussion of the fluctuation in our administrative expenses during the Track Record Period.

Other gain/loss, net

Other gain/loss mainly consist of the net gain/loss on disposal of fixed assets, net foreign exchange gain/loss, charitable donation, loss on deregistration of a subsidiary of our Company and provision for impairment losses on trade receivables. The following table sets out our Group’s net other gain/loss during the Track Record Period:

	For the year ended 31 December			For the three months ended 31 March	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(unaudited)</i>				
Other gain/(loss), net	(123)	120	(136)	(26)	(1,996)

Please refer to the paragraph headed “Comparison of results of operations” in this section for the discussion of the fluctuation in our net other gain/loss.

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Finance costs

Our finance costs primarily consist of interest on bank loans and lease liabilities. Our finance costs for each of the three years ended 31 December 2018 and the three months ended 31 March 2019 were approximately HK\$0.3 million, HK\$1.2 million, HK\$3.2 million and HK\$2.3 million, respectively. During the Track Record Period, our interest bearing bank borrowings carried interest at rates ranging from approximately 1.6% to approximately 5.0% per annum.

Income tax expenses

During the Track Record Period, all of our revenue and assessable profits were derived in Hong Kong and our income tax expenses represent profits tax in relation to our operations in Hong Kong. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for each year/period during the Track Record Period.

The following table sets forth our income tax expenses and effective tax rate for the years/periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit before tax	54,697	73,239	77,046	27,129	20,871
Income tax expenses	8,828	14,346	13,615	4,829	3,755
Effective tax rate	16.1%	19.6%	17.7%	17.8%	18.0%

For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, our Group incurred income tax expenses of approximately HK\$8.8 million, HK\$14.3 million, HK\$13.6 million and HK\$3.8 million, respectively. The effective tax rate of our Group for each of the three years ended 31 December 2018 and the three months ended 31 March 2019 was approximately 16.1%, 19.6%, 17.7% and 18.0%, respectively. The effective tax rate of our Group for the year ended 31 December 2016 was generally in line with the Hong Kong profits tax rate since our operations were predominately located in Hong Kong. Our Group's effective tax rate increased to approximately 19.6%, 17.7% and 18.0% for the year ended 31 December 2017 and 2018 and the three months ended 31 March 2019, respectively, primarily as a result of the listing expenses incurred for the year ended 31 December 2017 and 2018 and the three months ended 31 March 2019, which were not income tax deductible.

Our Directors confirm that we have made all required tax filing in all relevant jurisdictions and paid all tax liabilities that have become due. During the Track Record Period and up to the Latest Practicable Date, we are not subject to any dispute or potential dispute with any tax authorities.

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COMPARISON OF RESULTS OF OPERATIONS

Three months ended 31 March 2018 compared with three months ended 31 March 2019

Revenue

Our revenue increased by approximately HK\$12.0 million, or 1.1%, from approximately HK\$1,103.0 million for the three months ended 31 March 2018 to approximately HK\$1,115.0 million for the three months ended 31 March 2019. The increase was mainly attributable to the increase in our revenue from contract work for building construction.

Building construction

Our revenue derived from contract work for building construction increased by approximately HK\$13.0 million or 1.2% from approximately HK\$1,060.8 million for the three months ended 31 March 2018 to approximately HK\$1,073.8 million for the three months ended 31 March 2019. Such increase was mainly due to Project C33, which commenced in July 2018 and recorded significant work progress, and was partially offset by Project C20 and Project C21, which had less work progress for the three months ended 31 March 2019.

RMAA

Our revenue derived from contract work for RMAA decreased by approximately HK\$0.9 million or 2.1% from approximately HK\$42.2 million for the three months ended 31 March 2018 to approximately HK\$41.3 million for the three months ended 31 March 2019. The decrease was mainly due to a RMAA project, which was practically completed in August 2018, and was partially offset by two RMAA projects, which commenced in February 2018 and December 2018, respectively, and recorded more work progress for the three months ended 31 March 2019 compared to the three months ended 31 March 2018.

Contract costs

Our contract costs increased from approximately HK\$1,051.0 million for the three months ended 31 March 2018 to approximately HK\$1,061.7 million for the three months ended 31 March 2019, representing an increase of approximately HK\$10.7 million or 1.0%. The increase in contract costs was generally in line with the increase in revenue for the same period.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$1.3 million, or 2.5%, from approximately HK\$52.0 million for the three months ended 31 March 2018 to approximately HK\$53.3 million for the three months ended 31 March 2019. Such increase was mainly attributable to the increase in our gross profit derived from contract work for RMAA. We recorded negative gross profit of RMAA works for

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the three months ended 31 March 2018, which was mainly due to the Group incurred fixed cost in a term contract while no work orders issued by our customer during that period. The gross profit of RMAA works for the three months ended 31 March 2019 increased, which was mainly due to the better profit margins for three RMAA works projects commenced in the second half of 2018.

Our gross profit margin remained relatively stable of approximately 4.7% and 4.8% for each of the three months ended 31 March 2018 and 2019, respectively.

Other income

Other income decreased by approximately HK\$0.1 million, from approximately HK\$0.5 million for the three months ended 31 March 2018 to approximately HK\$0.4 million for the three months ended 31 March 2019. The decrease in other income for the three months ended 31 March 2019 was primarily attributable to the decrease in our interest income, which was partially offset by the increase in machinery rental income.

Administrative expenses

Our administrative expenses increased by approximately HK\$2.4 million, or 9.8%, from approximately HK\$24.6 million for the three months ended 31 March 2018 to approximately HK\$27.0 million for the three months ended 31 March 2019, primarily as a result of the increase in staff costs due to the increase in the number of staff and annual salary increment.

Other gain/loss, net

We recorded net other loss of approximately HK\$26,000 and HK\$2.0 million for the three months ended 31 March 2018 and 2019, respectively. This was mainly due to (i) the disposal of fixed assets contributed net loss of approximately HK\$17,000 and donations of approximately HK\$10,000 recorded for the three months ended 31 March 2018; and (ii) the provision of impairment losses on trade receivables of approximately HK\$2.0 million for the three months ended 31 March 2019.

Finance costs

Our finance costs increased by approximately HK\$2.1 million, or 10.5 times, from approximately HK\$0.2 million for the three months ended 31 March 2018 to approximately HK\$2.3 million for the three months ended 31 March 2019, which was primarily due to the increase in our interest-bearing bank borrowing and the bank borrowing had higher interest rates during the three months ended 31 March 2019 compared to the three months ended 31 March 2018.

Listing expenses

For the three months ended 31 March 2018 and 2019, we incurred listing expenses in connection with the Listing, which included professional fees and other related expenses, of approximately HK\$0.6 million and HK\$1.5 million, respectively.

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Profit before tax

As a result of the foregoing, profit before tax decreased by approximately HK\$6.2 million, or 22.9%, from approximately HK\$27.1 million for the three months ended 31 March 2018 to approximately HK\$20.9 million for the three months ended 31 March 2019.

Income tax expenses

Our income tax expenses decreased by approximately HK\$1.0 million, or 20.8%, from approximately HK\$4.8 million for the three months ended 31 March 2018 to approximately HK\$3.8 million for the three months ended 31 March 2019. The decrease in income tax expenses was generally in line with the decrease in our assessable income for the three months ended 31 March 2019.

Our effective tax rate for the three months ended 31 March 2018 and 2019 were approximately 17.8% and 18.0% respectively. The effective tax rates of our Group were higher than the Hong Kong profits tax rate for the three months ended 31 March 2018 and 2019. This was mainly due to the listing expenses incurred, which were not income tax deductible.

Profit for the period

Our profit for the period decreased by approximately HK\$5.2 million, or 23.3%, from approximately HK\$22.3 million for the three months ended 31 March 2018 to approximately HK\$17.1 million for the three months ended 31 March 2019 due to the combined effect of abovementioned items.

Year ended 31 December 2018 compared with year ended 31 December 2017

Revenue

Our revenue increased by approximately HK\$1,672.5 million, or 53.2%, from approximately HK\$3,141.4 million for the year ended 31 December 2017 to approximately HK\$4,813.9 million for the year ended 31 December 2018. The increase was mainly attributable to the increase in our revenue from contract work for building construction.

Building construction

Our revenue derived from contract work for building construction increased by approximately HK\$1,787.1 million or 62.0% from approximately HK\$2,880.8 million for the year ended 31 December 2017 to approximately HK\$4,667.9 million for the year ended 31 December 2018. There was a significant growth in our revenue for the year ended 31 December 2018 primarily because a number of projects such as Projects C16, C18 and C20 that had substantial work progress in 2018. We had relatively higher tender success rate for the year ended 31 December 2017 since we offered more

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favourable price after we practically completed projects including Projects C1, C2 and C3 in the latter half of the year ended 31 December 2016, and had more resources and workforce available after 2016. For further information, please refer to the section headed “Business — Our projects — Tender”. Projects C16 and C18, which were successfully tendered and subsequently commenced in 2017, had substantial work progress in 2018 and contributed an aggregate revenue of approximately HK\$1,557.3 million for the year ended 31 December 2018. In addition, Project C20 which commenced by the end of 2016 also had substantial work progress in 2018 and contributed a revenue of approximately HK\$606.0 million for the year ended 31 December 2018.

RMAA

Our revenue derived from contract work for RMAA decreased by approximately HK\$114.6 million or 44.0% from approximately HK\$260.6 million for the year ended 31 December 2017 to approximately HK\$146.0 million for the year ended 31 December 2018. The decrease was mainly due to Project C29, which was practically completed in September 2017 with revenue of approximately HK\$105.3 million recorded for the year ended 31 December 2017 and nil for the year ended 31 December 2018.

Contract costs

Our contract costs increased from approximately HK\$2,975.4 million for the year ended 31 December 2017 to approximately HK\$4,628.4 million for the year ended 31 December 2018, representing an increase of approximately HK\$1,653.0 million or 55.6%. The increase in contract costs was generally in line with the increase in revenue for the same year.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$19.5 million, or 11.7%, from approximately HK\$166.0 million for the year ended 31 December 2017 to approximately HK\$185.5 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase in revenue derived from contract work for building construction.

Our gross profit margin decreased from approximately 5.3% for the year ended 31 December 2017 to approximately 3.9% for the year ended 31 December 2018. The higher gross profit margin for the year ended 31 December 2017 compared to the year ended 31 December 2018 was primarily due to Project C2 and Project C19. Project C2 was practically completed in 2016 with the defects liability period ended in 2017. As a result, the expected outcome was more certain and final accounts for subcontracting fees could be estimated by our quantity surveyors with higher certainty. Hence, adjustments on the over accrued costs provided in prior periods were made in 2017. Besides, for the Project C19, the subcontracting fees paid to the subcontractors carried out stone, suspended ceiling and painting works during the year ended 31 December 2017 were lower than expected and therefore

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higher profit margin was recorded. For the year ended 31 December 2018, we recorded relatively lower gross profit margin of approximately 3.9%. It was mainly attributable to (i) the Group adopted a competitive pricing strategy by offering a more competitive price for certain tenders during the Track Record Period, and the construction works of certain awarded contracts in 2017 and 2018 were carried out during 2018 with a relatively thin gross profit margin; and (ii) two projects were recorded loss of approximately HK\$7.4 million and HK\$10.7 million for the year ended 31 December 2018 due to the cost overrun. For details of the competitive pricing strategy and cost overrun projects, please refer to the section headed “Business — Pricing strategy” in this prospectus.

Other income

Other income increased by approximately HK\$0.7 million, from approximately HK\$1.1 million for the year ended 31 December 2017 to approximately HK\$1.8 million for the year ended 31 December 2018, primarily due to the increase in interest income from approximately HK\$0.8 million for the year ended 31 December 2017 to approximately HK\$1.5 million for the year ended 31 December 2018 as a result of the higher interest rates during the year ended 31 December 2018 compared to the year ended 31 December 2017.

Administrative expenses

Our administrative expenses increased by approximately HK\$17.9 million, or 21.4%, from approximately HK\$83.5 million for the year ended 31 December 2017 to approximately HK\$101.4 million for the year ended 31 December 2018, primarily as a result of (i) the increase in staff costs due to the increase in the number of staff; and (ii) the increase in depreciation of right-of-use assets due to more properties leased as offices.

Other gain/loss, net

We recorded net other gain of approximately HK\$120,000 and net other loss of approximately HK\$136,000 for the year ended 31 December 2017 and 2018, respectively. This was mainly due to (i) the disposal of fixed assets contributed net gain of approximately HK\$158,000 for the year ended 31 December 2017 and net loss of approximately HK\$46,000 for the year ended 31 December 2018; and (ii) charitable donations of approximately HK\$92,000 recorded for the year ended 31 December 2018.

Finance costs

Our finance costs increased by approximately HK\$2.0 million, or 1.7 times, from approximately HK\$1.2 million for the year ended 31 December 2017 to approximately HK\$3.2 million for the year ended 31 December 2018, which was primarily due to the increase in our interest-bearing bank borrowing during the year ended 31 December 2018 compared to the year ended 31 December 2017.

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Listing expenses

For the year ended 31 December 2017 and 2018, we incurred listing expenses in connection with the Listing, which included professional fees and other related expenses, of approximately HK\$9.3 million and HK\$5.5 million, respectively.

Profit before tax

As a result of the foregoing, profit before tax slightly increased by approximately HK\$3.8 million, or 5.2%, from approximately HK\$73.2 million for the year ended 31 December 2017 to approximately HK\$77.0 million for the year ended 31 December 2018.

Income tax expenses

Our income tax expenses decreased by approximately HK\$0.7 million, or 4.9%, from approximately HK\$14.3 million for the year ended 31 December 2017 to approximately HK\$13.6 million for the year ended 31 December 2018. The decrease in income tax expenses was generally in line with the decrease in our assessable income for the year ended 31 December 2018.

Our effective tax rates for the year ended 31 December 2017 and 2018 were approximately 19.6% and 17.7% respectively. Such decrease was mainly due to the decrease in listing expenses incurred. The effective tax rates of our Group were higher than the Hong Kong profits tax rate for the year ended 31 December 2017 and 2018. This was mainly due to the listing expenses incurred, which were not income tax deductible.

Profit for the year

Our profit for the year increased by approximately HK\$4.5 million, or 7.6%, from approximately HK\$58.9 million for the year ended 31 December 2017 to approximately HK\$63.4 million for the year ended 31 December 2018 due to the combined effect of abovementioned items.

Year ended 31 December 2017 compared with year ended 31 December 2016

Revenue

Our revenue increased by approximately HK\$564.0 million, or 21.9%, from approximately HK\$2,577.4 million for the year ended 31 December 2016 to approximately HK\$3,141.4 million for the year ended 31 December 2017. The increase was mainly attributable to the increase in our revenue from contract work for building construction.

Building construction

Our revenue derived from contract work for building construction increased by approximately HK\$667.9 million or 30.2% from approximately HK\$2,212.9 million for the year ended 31 December

FINANCIAL INFORMATION

2016 to approximately HK\$2,880.8 million for the year ended 31 December 2017. Such increase was mainly attributable to Project C17 and Project C19, both of which commenced in 2016 and recorded substantial progress in 2017, contributed substantial revenue of approximately HK\$592.9 million and approximately HK\$552.4 million for the year ended 31 December 2017, respectively.

RMAA

Our revenue derived from contract work for RMAA decreased by approximately HK\$103.9 million or 28.5% from approximately HK\$364.5 million for the year ended 31 December 2016 to approximately HK\$260.6 million for the year ended 31 December 2017. The decrease was mainly due to Project C12, which was practically completed in February 2017, contributed less revenue for the year ended 31 December 2017 than it did for the year ended 31 December 2016.

Contract costs

Our contract costs increased from approximately HK\$2,456.9 million for the year ended 31 December 2016 to approximately HK\$2,975.4 million for the year ended 31 December 2017, representing an increase of approximately HK\$518.5 million or 21.1%. The increase in contract costs was generally in line with the revenue growth for the same year.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$45.5 million, or 37.8%, from approximately HK\$120.5 million for the year ended 31 December 2016 to approximately HK\$166.0 million for the year ended 31 December 2017. Such increase was mainly attributable to the increase in revenue derived from contract work for building construction.

Our gross profit margin increased from approximately 4.7% for the year ended 31 December 2016 to approximately 5.3% for the year ended 31 December 2017. The higher gross profit margin for the year ended 31 December 2017 was primarily due to Project C2 and Project C19. Project C2 was practically completed in 2016 with the defects liability period ended in 2017. As a result, the expected outcome was more certain and final accounts for subcontracting fees could be estimated by our quantity surveyors with higher certainty. Hence, adjustments on the over accrued costs provided in prior periods were made in 2017. Besides, for the Project C19, the subcontracting fees paid to the subcontractors carried out stone, suspended ceiling and painting works during the year ended 31 December 2017 were lower than expected and therefore higher profit margin was recorded.

Other income

Other income increased by approximately HK\$0.7 million from approximately HK\$352,000 for the year ended 31 December 2016 to approximately HK\$1.1 million for the year ended 31 December 2017, primarily due to the increase in interest income from approximately HK\$109,000 for the year ended 31 December 2016 to approximately HK\$824,000 for the year ended 31 December 2017.

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Administrative expenses

Our administrative expenses increased by approximately HK\$17.8 million, or 27.1%, from approximately HK\$65.7 million for the year ended 31 December 2016 to approximately HK\$83.5 million for the year ended 31 December 2017, primarily as a result of (i) the increase in staff costs due to the increase in the number of staff; and (ii) the increase in rental, rates and building management fee due to more properties leased as offices.

Other gain/loss, net

We recorded net other loss of approximately HK\$123,000 and net other gain of approximately HK\$120,000 for the year ended 31 December 2016 and 2017, respectively. This was mainly due to (i) the net gain on disposal of fixed assets of approximately HK\$158,000 recorded for the year ended 31 December 2017; and (ii) net foreign exchange loss of approximately HK\$83,000 and loss on deregistration of a subsidiary of our Company of approximately HK\$44,000 recorded for the year ended 31 December 2016.

Finance costs

Our finance costs increased by approximately HK\$0.9 million, or 3.0 times, from approximately HK\$0.3 million for the year ended 31 December 2016 to approximately HK\$1.2 million for the year ended 31 December 2017, which was primarily due to the increase in our short-term interest-bearing bank borrowing during the year ended 31 December 2017.

Listing expenses

For the year ended 31 December 2017, we incurred listing expenses in connection with the Listing, which included professional fees and other related expenses, of approximately HK\$9.3 million.

Profit before tax

As a result of the foregoing, profit before tax increased by approximately HK\$18.5 million, or 33.8%, from approximately HK\$54.7 million for the year ended 31 December 2016 to approximately HK\$73.2 million for the year ended 31 December 2017.

Income tax expenses

Our income tax expenses increased by approximately HK\$5.5 million, or 62.5%, from approximately HK\$8.8 million for the year ended 31 December 2016 to approximately HK\$14.3 million for the year ended 31 December 2017. Such increase was mainly due to the increase in our assessable income which was in line with our financial result for the year ended 31 December 2017.

Our effective tax rate for the year ended 31 December 2016 and 2017 were approximately 16.1% and 19.6% respectively. The increase in the effective tax rate was mainly due to the listing expenses incurred for the year ended 31 December 2017, which were not income tax deductible.

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Profit for the year

Our profit for the year increased by approximately HK\$13.0 million, or 28.3%, from approximately HK\$45.9 million for the year ended 31 December 2016 to approximately HK\$58.9 million for the year ended 31 December 2017 due to the combined effect of abovementioned items.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, our operations were generally financed through a combination of cash generated from operating activities and bank borrowings. Our Directors believe that after the Listing, our operations will be funded by internally generated cash flows, bank borrowings, net proceeds from the Listing and, if necessary, additional equity financing.

Cash flows

The following table sets forth selected cash flows information from our consolidated statements of cash flows for the years/periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Operating cash flows before changes in working capital	<u>69,690</u>	<u>90,558</u>	<u>104,100</u>	<u>33,094</u>	<u>30,981</u>
Net cash flows from/(used in) operating activities	(59,270)	517,881	(358,097)	(155,800)	(22,537)
Net cash flows used in investing activities	(1,431)	(11,802)	(923)	(566)	(54,919)
Net cash flows from/(used in) financing activities	<u>(10,302)</u>	<u>(163,157)</u>	<u>70,344</u>	<u>95,886</u>	<u>83,917</u>
Net increase/(decrease) in cash and cash equivalents	(71,003)	342,922	(288,676)	(60,480)	6,461
Cash and cash equivalents at beginning of year/period	145,754	74,806	417,728	417,728	129,052
Effect of foreign exchange rate changes, net	<u>55</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents at end of year/period	<u>74,806</u>	<u>417,728</u>	<u>129,052</u>	<u>357,248</u>	<u>135,513</u>

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Operating activities

Our Group's cash inflow from operating activities is primarily generated from the receipt of payments from our customers. Our cash outflow used in operating activities primarily includes subcontracting fees, purchases of raw materials, staff costs and other operating expenses.

Year ended 31 December 2016

The net cash used in operating activities was approximately HK\$59.3 million for the year ended 31 December 2016. The amount was derived from our profit before tax of approximately HK\$54.7 million, mainly adjusted for (i) increase in amount due from an intermediate holding company of approximately HK\$209.6 million; and (ii) decrease in contract liability of approximately HK\$31.1 million, which was partially offset by (i) decrease in trade receivables of approximately HK\$94.2 million; and (ii) increase in other payables and accruals of approximately HK\$33.8 million. The net cash used in operating activities was mainly due to the increase in the amount due from Zhejiang Construction HK of approximately HK\$209.6 million for the year ended 31 December 2016, which represented the expenses paid by us on behalf of Zhejiang Construction HK and the funds transferred for its business operation.

Year ended 31 December 2017

The net cash from operating activities was approximately HK\$517.9 million for the year ended 31 December 2017. The amount was derived from our profit before tax of approximately HK\$73.2 million, mainly adjusted for (i) decrease in amount due from an intermediate holding company of approximately HK\$611.3 million; and (ii) increase in trade and retention payables of approximately HK\$404.3 million, which were partially offset by (i) increase in contract assets of approximately HK\$360.1 million; and (ii) increase in trade receivables of approximately HK\$190.0 million.

The significant improvement in the net cash from operating activities was mainly due to the repayment from Zhejiang Construction HK of approximately HK\$611.3 million during 2017. On the other hand, the fluctuation of the net cash from operating activities was due to the difference in amount and timing between the receipt of payments from our customers and the payments we made to our subcontractors and suppliers. Our credit period with customers ranges from 14 to 45 days. However, we generally settle our trade payables to our subcontractors within one month after their payment request is approved by us, and to our suppliers within one month after the issue of invoice. As a result of the mismatch in credit periods, the settlement of payments we made to our subcontractors and suppliers was faster than that of the payments we received from our customers.

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Year ended 31 December 2018

The net cash used in operating activities was approximately HK\$358.1 million for the year ended 31 December 2018. The amount was derived from our profit before tax of approximately HK\$77.0 million, mainly adjusted for (i) increase in contract assets of approximately HK\$386.8 million; (ii) decrease in other payables and accruals of approximately HK\$169.6 million; and (iii) increase in trade receivables of approximately HK\$131.9 million, which was partially offset by increase in trade and retention payables of approximately HK\$240.6 million.

The net cash used in operating activities for the year ended 31 December 2018 was mainly due to the mismatch between the receipts from our customers and the payments to our subcontractors and suppliers. There were four sizeable projects which the contract sum was over HK\$100.0 million, with a total aggregate original contract sum of approximately HK\$4,306.4 million, commenced during 2018. We were required to pay upfront costs on the aforesaid projects in advance and such work done would be settled by our customers at least after two months of the upfront costs paid.

Three months ended 31 March 2019

The net cash used in operating activities was approximately HK\$22.5 million for the three months ended 31 March 2019. The amount was derived from our profit before tax of approximately HK\$20.9 million, mainly adjusted for (i) increase in contract assets of approximately HK\$272.7 million; and (ii) decrease in trade and retention payables of approximately HK\$191.3 million, which was partially offset by decrease in trade receivables of approximately HK\$302.3 million; and (ii) increase in other payables and accruals of approximately HK\$119.3 million. The net cash used in operating activities for the three months ended 31 March 2019 was mainly due to the mismatch in credit periods between the receipts from our customers and the payments to our subcontractors and suppliers as discussed above.

Our Group has established the following policies with a view to improving our cash flow position in the future:

- (i) A clearly documented plan describing the expected cash inflow from customers and cash outflow to subcontractors and suppliers for each project should be prepared by the quantity surveyors and purchase staff, and submitted to the management for review on a regular basis;
- (ii) The cashflow plans should then be considered and closely monitored by the finance department its actual implementation; and
- (iii) From time to time, the company will take the following measures, including but not limited to, (a) following up with our customers on-time for payment of invoices; (b) full utilisation of the credit terms of all subcontractors' and/or suppliers' invoices; and (c) utilisation of banking facilities to cover any deterioration in our cash flow position.

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Investing activities

During the Track Record Period, our cash inflow from investing activities primarily consisted of interest received and proceeds from disposal of property, plant and equipment; and our cash outflow used in investing activities primarily consisted of purchases of property, plant and equipment.

Year ended 31 December 2016

For the year ended 31 December 2016, we recorded net cash used in investing activities of approximately HK\$1.4 million, primarily attributable to purchase of property, plant and equipment of approximately HK\$1.9 million, which was partially offset by proceeds from disposal of property, plant and equipment of approximately HK\$0.3 million and interest received of approximately HK\$0.1 million. The purchase of property, plant and equipment mainly included the purchase of computers and software of approximately HK\$0.8 million and purchase of motor vehicles of approximately HK\$0.6 million.

Year ended 31 December 2017

For the year ended 31 December 2017, we recorded net cash used in investing activities of approximately HK\$11.8 million, primarily attributable to purchase of property, plant and equipment of approximately HK\$12.8 million, which was partially offset by interest received of approximately HK\$0.8 million and proceeds from disposal of property, plant and equipment of approximately HK\$0.2 million. The purchase of property, plant and equipment mainly included leasehold improvements of approximately HK\$7.0 million and purchase of computers and software of approximately HK\$1.9 million.

Year ended 31 December 2018

For the year ended 31 December 2018, we recorded net cash used in investing activities of approximately HK\$0.9 million, primarily attributable to purchase of property, plant and equipment of approximately HK\$2.5 million, which was partially offset by interest received of approximately HK\$1.5 million. The purchase of property, plant and equipment mainly included purchase of computers and software of approximately HK\$1.1 million and purchase of furniture and fixtures of approximately HK\$0.9 million.

Three months ended 31 March 2019

For the three months ended 31 March 2019, we recorded net cash used in investing activities of approximately HK\$54.9 million, primarily attributable to the increase in the amount due from Zhejiang Construction HK of approximately HK\$55.0 million for the three months ended 31 March 2019. The fund transferred to Zhejiang Construction HK was mainly used for its business operation and development and will be fully settled before Listing.

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Financing activities

Our cash inflow from financing activities was principally from new bank loans, while our cash used in financing activities was principally for the repayment of bank loans, interest paid, dividend paid and payment for lease liabilities.

Year ended 31 December 2016

For the year ended 31 December 2016, we had net cash used in financing activities of approximately HK\$10.3 million, primarily attributable to (i) payment for lease liabilities of approximately HK\$10.2 million; and (ii) repayment of bank loans of approximately HK\$1.0 million, which were partially offset by drawdown of new bank loans of approximately HK\$1.0 million.

Year ended 31 December 2017

For the year ended 31 December 2017, we had net cash used in financing activities of approximately HK\$163.2 million, primarily attributable to (i) dividend of approximately HK\$150.0 million paid to Zhejiang Construction HK; (ii) repayment of bank loans of approximately HK\$230.0 million; and (iii) payment for lease liabilities of approximately HK\$12.5 million, which were partially offset by drawdown of new bank loans of approximately HK\$230.0 million for our business operation.

Year ended 31 December 2018

For the year ended 31 December 2018, we had net cash from financing activities of approximately HK\$70.3 million, primarily attributable to (i) repayment of bank loan of approximately HK\$850.0 million; (ii) dividend of approximately HK\$30.4 million paid to CR Investments; and (iii) payment for lease liabilities of approximately HK\$16.8 million, which were partially offset by drawdown of new bank loans of approximately HK\$970.0 million for our business operation.

Three months ended 31 March 2019

For the three months ended 31 March 2019, we had net cash from financing activities of approximately HK\$83.9 million, primarily attributable to (i) repayment of bank loans of approximately HK\$310.0 million; and (ii) payment for lease liabilities of approximately HK\$3.9 million, which were partially offset by drawdown of new bank loans of approximately HK\$400.0 million for our business operation.

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NET CURRENT ASSETS

The table below sets forth our current assets and current liabilities as of the dates indicated:

	As at 31 December			As at 31 March	As at 31 July
	2016	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)
Current assets					
Contract assets	391,716	751,856	1,138,675	1,411,421	1,505,929
Trade receivables	366,820	556,828	688,719	384,370	543,337
Prepayment, deposits and other receivables	13,168	17,948	23,569	31,576	47,734
Amount due from an intermediate holding company	611,372	56	—	55,000	103,169
Tax recoverable	263	2,338	—	—	—
Pledged deposits	—	25,662	25,961	26,054	26,185
Cash and cash equivalents	<u>74,806</u>	<u>392,066</u>	<u>103,091</u>	<u>109,459</u>	<u>90,034</u>
	<u>1,458,145</u>	<u>1,746,754</u>	<u>1,980,015</u>	<u>2,017,880</u>	<u>2,316,388</u>
Current liabilities					
Trade and retention payables	339,970	744,256	984,869	793,539	756,578
Other payables and accruals	724,773	721,722	552,115	671,441	841,521
Interest-bearing bank borrowings	—	—	120,000	210,000	360,000
Lease liabilities	5,846	14,343	14,549	11,943	7,393
Tax payable	<u>7,052</u>	<u>232</u>	<u>5,550</u>	<u>6,772</u>	<u>8,783</u>
	<u>1,077,641</u>	<u>1,480,553</u>	<u>1,677,083</u>	<u>1,693,695</u>	<u>1,974,275</u>
Net current assets	<u>380,504</u>	<u>266,201</u>	<u>302,932</u>	<u>324,185</u>	<u>342,113</u>

Our current assets mainly included contract assets, trade receivables, prepayments, deposits and other receivables, amount due from an intermediate holding company, tax recoverable, pledged deposits and cash and cash equivalents. Our current liabilities mainly included trade and retention payables, other payables and accruals, interest-bearing bank borrowings, current portion of lease liabilities and tax payable.

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As at 31 December 2017, our Group had net current assets of approximately HK\$266.2 million, representing a decrease of approximately HK\$114.3 million as compared to the net current assets as at 31 December 2016, which was mainly due to the interim dividend of approximately HK\$150.0 million paid by CR Construction to Zhejiang Construction HK partially offset by our profit for the year ended 31 December 2017 of approximately HK\$58.9 million. Such decrease has been reflected in (i) the decrease in amount due from an intermediate holding company of approximately HK\$611.3 million due to the settlement of the balances by Zhejiang Construction HK; and (ii) the increase in trade and retention payables of approximately HK\$404.3 million, which were partially offset by (i) the increase in contract assets of approximately HK\$360.1 million; (ii) the increase in cash and cash equivalent of approximately HK\$317.3 million; and (iii) the increase in trade receivables of approximately HK\$190.0 million.

As at 31 December 2018, our Group had net current assets of approximately HK\$302.9 million, representing an increase of approximately HK\$36.7 million as compared to the net current assets as at 31 December 2017, which was mainly due to our profit for the year ended 31 December 2018 of approximately HK\$63.4 million partially offset by the interim dividend of approximately HK\$30.4 million paid by the Company to CR Investments. Such increase has been reflected in (i) the increase in contract assets of approximately HK\$386.8 million; (ii) the decrease in other payables and accruals of approximately HK\$169.6 million; and (iii) increase in trade receivables of approximately HK\$131.9 million, which were partially offset by (i) the decrease in cash and cash equivalents of approximately HK\$289.0 million; (ii) the increase in trade and retention payables of approximately HK\$240.6 million; and (iii) the increase in interest-bearing bank borrowings of approximately HK\$120.0 million.

As at 31 March 2019, our Group had net current assets of approximately HK\$324.2 million, representing an increase of approximately HK\$21.3 million as compared to the net current assets as at 31 December 2018, which was mainly due to our profit for the three months ended 31 March 2019 of approximately HK\$17.1 million. Such increase has been reflected in (i) the increase in contract assets of approximately HK\$272.7 million; and (ii) the decrease in trade and retention payables of approximately HK\$191.3 million, which were partially offset by (i) the decrease in trade receivables of approximately HK\$302.3 million; and (ii) the increase in other payables and accruals of approximately HK\$119.3 million.

As at 31 July 2019, our Group had net current assets of approximately HK\$342.1 million, representing an increase of approximately HK\$17.9 million as compared to the net current assets as at 31 March 2019, which was mainly due to our profit for the four months ended 31 July 2019. Such increase has been reflected in (i) the increase in trade receivables of approximately HK\$159.0 million; (ii) the increase in contract assets of approximately HK\$94.5 million; (iii) the increase in amount due from Zhejiang Construction HK of approximately HK\$48.2 million; and (iv) the decrease in trade and retention payables of approximately HK\$37.0 million, which were partially offset by (i) the increase in other payables and accruals of approximately HK\$170.1 million; (ii) the increase in interest-bearing bank borrowings of approximately HK\$150.0 million. The amount due from Zhejiang Construction HK of approximately HK\$103.2 million as at 31 July 2019 will be fully settled before Listing.

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Further discussion of the key components of our consolidated statements of financial position is set forth in the paragraphs below.

Contract assets

The following table sets forth the breakdown of our contract assets as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	31 March
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Contract assets arising from construction services	136,576	357,286	640,073	910,606
Retention receivables	<u>255,140</u>	<u>394,570</u>	<u>498,602</u>	<u>500,815</u>
	<u>391,716</u>	<u>751,856</u>	<u>1,138,675</u>	<u>1,411,421</u>

Contract assets arising from construction service

Contract assets consist of our rights to consideration for works completed but unbilled amounts resulting from the relevant building construction and RMAA contracts. Contract assets are transferred to trade receivables when the rights become unconditional which was generally one to three months.

The following table sets forth the expected timing of recovery or settlement for contract assets as at the end of the reporting period:

	As at 31 December			As at
	2016	2017	2018	31 March
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Within one year	<u>136,576</u>	<u>357,286</u>	<u>640,073</u>	<u>910,606</u>

As at 31 December 2016, 2017 and 2018 and 31 March 2019, our contract assets arising from construction services were approximately HK\$136.6 million, HK\$357.3 million, HK\$640.1 million and HK\$910.6 million, respectively. The increase in contract assets throughout the Track Record Period was the result of the increase in the provision of construction services. Contract assets are typically affected by the value of works performed close to the end of each reporting period and the timing of receiving certificates, and this will vary from period to period. Furthermore, considering the vast number of items related to our projects, negotiation with customers for the value of works performed by us set out in the payment certificates is common.

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Retention receivables

Retention receivables held by our contract customers arising from our construction works and certain RMAA works. For most of our building construction works contracts, it is our customers' practice to retain about 10% of each progress payment, in aggregate subject to maximum retention of 5% of the total contract sum. Half of the retention money would be released upon practical completion of the project and the remaining half would be released upon the issuance of certificate of maintenance. Retention receivables are usually settled within a period ranging from one year to two years after the completion of the work and acceptance by the relevant customers.

The following table sets forth the due date for settlement of our retention receivables as at the end of each reporting period:

	As at 31 December			As at
	2016	2017	2018	31 March
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Due within one year	54,571	226,508	271,534	248,017
Due after one year	<u>200,569</u>	<u>168,062</u>	<u>227,068</u>	<u>252,798</u>
	<u>255,140</u>	<u>394,570</u>	<u>498,602</u>	<u>500,815</u>

Our retention receivables increased from approximately HK\$255.1 million as at 31 December 2016 to approximately HK\$394.6 million as at 31 December 2017, and further increased to approximately HK\$498.6 million as at 31 December 2018 and approximately HK\$500.8 million as at 31 March 2019, primarily due to the increase in the volume of our contract work activities during the Track Record Period.

Our Directors confirm that our Group has not experienced any difficulty in collecting retention receivables from our customers during the Track Record Period.

As at the Latest Practicable Date, approximately HK\$1,151.3 million, representing approximately 81.6% of our contract assets as at 31 March 2019, had been billed, and out of this billed amount, approximately HK\$703.2 million, representing approximately 49.8% of our contract assets as at 31 March 2019, had been settled by our customers.

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Trade receivables

The following table sets out our trade receivables as at the dates indicated:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	366,820	556,828	688,719	386,370
Impairment	—	—	—	(2,000)
	<u>366,820</u>	<u>556,828</u>	<u>688,719</u>	<u>384,370</u>

Trade receivables represent progress billings of work performed by us, for which payment certificates have been received from our customers before the end of reporting period and pending payment. As at 31 December 2016, 2017 and 2018 and 31 March 2019, our trade receivables were approximately HK\$366.8 million, HK\$556.8 million, HK\$688.7 million and HK\$384.4 million, respectively. The following table sets forth an ageing analysis of trade receivables presented based on invoice dates and net of loss allowance at the end of each reporting period:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month	329,509	469,070	597,891	301,697
1 to 2 months	26,842	42,079	44,566	38,479
2 to 3 months	—	267	13,074	14,016
Over 3 months	<u>10,469</u>	<u>45,412</u>	<u>33,188</u>	<u>30,178</u>
	<u>366,820</u>	<u>556,828</u>	<u>688,719</u>	<u>384,370</u>

Our credit period with customers ranges from 14 to 45 days. We seek to maintain strict control over our outstanding receivables and have a policy to manage the risk. Overdue balances are reviewed regularly by senior management. We do not hold any collateral or other credit enhancements over the trade receivable balances. Trade receivables are non-interest-bearing.

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Our trade receivables increased by approximately HK\$190.0 million or 51.8% from approximately HK\$366.8 million as at 31 December 2016 to approximately HK\$556.8 million as at 31 December 2017. The increase was mainly due to the high level of progress payment receivables in relation to Project C17 and Project C21 as at 31 December 2017, which had substantial work progress close to the end of 2017.

Our trade receivables increased by approximately HK\$131.9 million or 23.7% from approximately HK\$556.8 million as at 31 December 2017 to approximately HK\$688.7 million as at 31 December 2018. The increase in trade receivables was mainly due to the increase in progress billings of Project C16 as at 31 December 2018.

Our trade receivables decreased by approximately HK\$304.3 million or 44.2% from approximately HK\$688.7 million as at 31 December 2018 to approximately HK\$384.4 million as at 31 March 2019. The decrease in trade receivables was mainly because less works were certified by our customers in February 2019 during the Chinese New Year holiday, resulting in a decrease in progress billings as at 31 March 2019.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The credit risk exposure on our trade receivables using a provision matrix are as follows:

As at 31 March 2019	Past due				Total
	Current	Less than 1 month	1 to 3 months	Over 3 months	
Expected credit loss rate	0.06%	0.07%	1.79%	4.52%	0.52%
Gross carrying amount (HK\$'000)	266,469	66,947	21,978	30,976	386,370
Expected credit losses (HK\$'000)	160	45	393	1,402	2,000

Our Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9 which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit loss rate for our trade receivables is minimal for all ageing bands by due dates of trade receivables for the years ended 31 December 2016, 2017 and 2018. We recorded an impairment losses on trade receivables of approximately HK\$2.0 million as at 31 March 2019.

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As at the Latest Practicable Date, approximately HK\$343.7 million or 89.4% of the trade receivables outstanding as at 31 March 2019 had been settled.

The following table sets forth the trade receivables turnover days during the Track Record Period:

	For the year ended 31 December			For the three months ended 31 March
	2016	2017	2018	2019
Trade receivables turnover days	58.8	53.7	47.2	43.3

The trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the year/period then multiplied by the number of days of the year/period (i.e. 365 days for the year ended 31 December 2017 and 2018, 366 days for the year ended 31 December 2016 and 90 days for the three months ended 31 March 2019). Our trade receivables turnover days were approximately 58.8 days, 53.7 days, 47.2 days and 43.3 days for each of the three years ended 31 December 2018 and the three months ended 31 March 2019, respectively. Our trade receivables turnover days for each of the three years ended 31 December 2018 were longer than the credit period we granted to our customers mainly because our trade receivables balance was particularly high as at 31 December 2016, 2017 and 2018 as more works were completed towards the end of the year.

We have implemented credit monitoring measures to control our exposure to the credit risk of our customers and improve the collection of trade receivables. Details of the credit monitoring measures are as follows:

- (i) Our employees in contracts department are required to report the long-overdue receivables and the status of collection of such receivables to our managing director periodically;
- (ii) our finance department is responsible for preparing an ageing analysis and reporting the results to our managing director. In order to assess the financial status of the customers, legal search and credit reporting will be conducted from time to time;
- (iii) our finance department will keep track of the payment behaviours of the customers so that correspondent actions can be taken early when any unusual practice is found;

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- (iv) if there is any sign of deterioration of recoverability, we will consider taking legal actions whenever necessary; and
- (v) arbitration or direct negotiation between our management team and our customers in relation to the long-overdue receivables will be conducted from time to time.

The following table sets forth the trade receivables and contract assets turnover days during the Track Record Period:

	For the year ended 31 December			For the three months ended 31 March
	2016	2017	2018	2019
Trade receivables and contract assets turnover days	113.5	120.1	118.9	146.2

The trade receivables and contract assets turnover days is calculated based on the average of the beginning and ending balance of trade receivables and contract assets divided by revenue for the year/period then multiplied by the number of days of the year/period (i.e. 365 days for the year ended 31 December 2017 and 2018, 366 days for the year ended 31 December 2016 and 90 days for the three months ended 31 March 2019). Our trade receivables and contract assets turnover days were approximately 113.5 days, 120.1 days, 118.9 days and 146.2 days for each of the three years ended 31 December 2018 and the three months ended 31 March 2019, respectively. For each of the three years ended 31 December 2018, our trade receivables and contract assets turnover days remained relatively stable. Our trade receivables and contract assets turnover days increased from approximately 118.9 days for the year ended 31 December 2018 to approximately 146.2 days for the three months ended 31 March 2019. Such increase was mainly because we recorded relatively less revenue for the three months ended 31 March 2019 as a result of less works were progressed during the Chinese New Year in February 2019.

Our Directors confirm that our Group has not experienced any difficulty in collecting trade receivables from our customers during the Track Record Period.

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Prepayments, deposits and other receivables

The following table sets out the prepayments, deposits and other receivables as at the end of each reporting period:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments	1,175	9,457	13,530	16,530
Deposits and other receivables	<u>12,019</u>	<u>15,859</u>	<u>19,607</u>	<u>24,614</u>
	13,194	25,316	33,137	41,144
Less: Non-current prepayments and deposits	<u>(26)</u>	<u>(7,368)</u>	<u>(9,568)</u>	<u>(9,568)</u>
	<u>13,168</u>	<u>17,948</u>	<u>23,569</u>	<u>31,576</u>

Our prepayments, deposits and other receivables mainly consisted of receivables from insurers, prepayments to a subcontractor, deposits for rental, public utilities and environmental protection and prepayments made for business management software and listing expenses. The increase in prepayments, deposits and other receivables from approximately HK\$13.2 million as at 31 December 2016 to approximately HK\$25.3 million as at 31 December 2017 was mainly attributable to the following balances as at 31 December 2017: (i) prepayment for business management software of approximately HK\$4.9 million; and (ii) deposits for new leased properties of approximately HK\$1.4 million. The increase in prepayments, deposits and other receivables from approximately HK\$25.3 million as at 31 December 2017 to approximately HK\$33.1 million as at 31 December 2018 was mainly due to (i) the increase in insurance claims receivables of approximately HK\$2.3 million; (ii) the increase in prepayment for business management software of approximately HK\$2.0 million as at 31 December 2018; and (iii) the increase in prepayment to subcontractor of approximately HK\$1.2 million. The increase in prepayments, deposits and other receivables from approximately HK\$33.1 million as at 31 December 2018 to approximately HK\$41.1 million as at 31 March 2019 was mainly due to (i) the increase in prepayment to subcontractor; and (ii) the increase in prepayment for new computer software as at 31 March 2019.

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Trade and retention payables

The following table sets forth the breakdown of our trade and retention payables as at the dates indicated:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	145,904	487,581	621,820	423,695
Retention payables	<u>194,066</u>	<u>256,675</u>	<u>363,049</u>	<u>369,844</u>
	<u>339,970</u>	<u>744,256</u>	<u>984,869</u>	<u>793,539</u>

Trade payables

Trade payables are primarily related to the purchase of materials and works performed by subcontractors. Different credit terms are granted to us by our suppliers and subcontractors. We generally settle our trade payables to our subcontractors within one month after their payment request is approved by us and to our suppliers within one month after the issue of invoice. The trade payables are non-interest-bearing. The following table sets forth an ageing analysis of trade payables presented based on invoice dates at the end of each reporting period:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month	66,408	368,622	379,025	347,203
1 to 2 months	58,893	66,190	116,160	59,897
2 to 3 months	16,772	35,165	117,256	10,193
Over 3 months	<u>3,831</u>	<u>17,604</u>	<u>9,379</u>	<u>6,402</u>
	<u>145,904</u>	<u>487,581</u>	<u>621,820</u>	<u>423,695</u>

Our trade payables increased by approximately HK\$341.7 million, or 234.2%, from approximately HK\$145.9 million as at 31 December 2016 to approximately HK\$487.6 million as at 31 December 2017. The increase was mainly due to the significant works performed by our subcontractors close to 31 December 2017.

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Our trade payables increased by approximately HK\$134.2 million, or 27.5%, from approximately HK\$487.6 million as at 31 December 2017 to approximately HK\$621.8 million as at 31 December 2018. The increase was mainly attributable to more works performed by our subcontractors close to 31 December 2018.

Our trade payables decreased by approximately HK\$198.1 million, or 31.9%, from approximately HK\$621.8 million as at 31 December 2018 to approximately HK\$423.7 million as at 31 March 2019. The decrease in trade payables was mainly because less works were performed by our subcontractors in February 2019 during the Chinese New Year holiday, resulting in less works were certified by our Group in March 2019.

As at the Latest Practicable Date, approximately HK\$419.1 million or 98.9% of the trade payables outstanding as at 31 March 2019 had been settled.

The following table sets forth the trade payables turnover days during the Track Record Period:

	For the year ended 31 December			For the three months ended 31 March
	2016	2017	2018	2019
Trade payables turnover days	24.9	38.9	43.7	44.3

The trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by contract costs for the year/period then multiplied by the number of days of the year/period (i.e. 365 days for the year ended 31 December 2017 and 2018, 366 days for the year ended 31 December 2016 and 90 days for the three months ended 31 March 2019). Our trade payables turnover days were approximately 24.9 days, 38.9 days, 43.7 days and 44.3 days for each of the three years ended 31 December 2018 and the three months ended 31 March 2019 respectively, which were generally in line with the increase in our trade payables. The trade payables turnover days for the year ended 31 December 2017 and 2018 and the three months ended 31 March 2019 were longer than the credit period granted by our subcontractors and suppliers, which was primarily due to the high trade payables balance as at 31 December 2017 and 2018 as discussed above. As our business mainly operates on project-by-project basis, our contract costs incurred may fluctuate subject to the size and the progress of our respective projects at a given time, and hence our trade payables balance and trade payables turnover days may vary as at the end of each reporting period.

Retention payables

Retention payables represent money withheld by us when making interim payment to some of our subcontractors. The retention money from subcontractors is normally 10% of each progress payment, in aggregate subject to maximum retention of 5% of the contract sum of the subcontract, depending on the nature of the subcontract works being involved. Our retention payables amounted to

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approximately HK\$194.1 million, HK\$256.7 million, HK\$363.0 million and HK\$369.8 million as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. The increase in our retention payables during the Track Record Period was in line with the increase in the volume of our contract work activities, which resulted in more works being subcontracted to the subcontractors. Retention payables are normally settled to subcontractors within a period ranging from one year to two years after the completion of the contract work by the subcontractors.

Our Directors confirm that our Group had no default in payment of trade and retention payables during the Track Record Period.

Other payables and accruals and provision for reinstatement

Our other payables and accruals mainly consisted of wage payables, accrued cost, receipt in advance from customers, professional fees and other miscellaneous payables. Provision of reinstatement was made as at 31 December 2017 and 2018 and 31 March 2019 pursuant to the terms of the respective tenancy agreements entered into by us. We are required to return the leased properties to the conditions as stipulated in the tenancy agreements at the expiration of the corresponding lease term as appropriate. The following table sets out the composition of our other payables and accruals and provision for reinstatement as at the end of each reporting period:

	As at 31 December			As at
	2016	2017	2018	31 March
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables	7,312	9,863	12,682	12,689
Accruals	717,461	711,859	539,433	658,752
Provision for reinstatement <i>(Note)</i>	—	4,000	4,000	4,000
	724,773	725,722	556,115	675,441
Non-current portion	—	(4,000)	(4,000)	(4,000)
Current portion	<u>724,773</u>	<u>721,722</u>	<u>552,115</u>	<u>671,441</u>

Note: Provision for reinstatement costs was estimated based on certain assumptions and estimates made by our Directors with reference to quoted prices and/or other available information. The assumptions and estimates are reviewed on an ongoing basis and revised as appropriate.

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Our other payables and accruals and provision for reinstatement remained stable at approximately HK\$724.8 million as at 31 December 2016 and approximately HK\$725.7 million as at 31 December 2017. Our other payables and accruals and provision for reinstatement decreased from approximately HK\$725.7 million as at 31 December 2017 to approximately HK\$556.1 million as at 31 December 2018. This was mainly attributable to the decrease in accruals from approximately HK\$711.9 million as at 31 December 2017 to approximately HK\$539.4 million as at 31 December 2018. Our other payables and accruals and provision for reinstatement increased from approximately HK\$556.1 million as at 31 December 2018 to approximately HK\$675.4 million as at 31 March 2019. This was mainly attributable to the increase in accruals from approximately HK\$539.4 million as at 31 December 2018 to approximately HK\$658.8 million as at 31 March 2019. Accruals mainly consist of accruals for construction costs which represent construction costs being incurred which are yet to be billed by the subcontractors. The amount of accruals for construction costs was mainly affected by the value of work performed by our subcontractors close to the end of each reporting period and the timing of issuing bills and receiving certificates from us, and this will vary from period to period.

Lease liabilities

As at 31 December 2016, 2017 and 2018 and 31 March 2019, we recorded lease liabilities of approximately HK\$6.5 million, HK\$26.9 million, HK\$17.8 million and HK\$14.0 million, respectively. We lease various land and buildings and plant and machinery for a period of time through lease arrangements with remaining lease terms ranging from one to five years. These liabilities were measured at the net present value of the lease payments during the lease terms that are not yet paid.

Our lease liabilities increased from approximately HK\$6.5 million as at 31 December 2016 to approximately HK\$26.9 million as at 31 December 2017, which was primarily due to more properties leased as offices. Our lease liabilities decreased from approximately HK\$26.9 million as at 31 December 2017 to approximately HK\$17.8 million as at 31 December 2018, and further decreased to HK\$14.0 million as at 31 March 2019, which was primarily due to the settlement of the remaining rent of leased offices.

Amount due from/to related parties

As at 31 December 2016, 2017 and 2018 and 31 March 2019, we had an amount due from Zhejiang Construction HK of approximately HK\$611.4 million, HK\$56,000, nil and HK\$55.0 million respectively. These balances were non-trade in nature unsecured, interest-free and had no fixed terms of repayment.

Please refer to note 32(b) to the Accountants' Report set out in Appendix I to this prospectus for details.

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Property, plant and equipment

The carrying values of our Group's property, plant and equipment were approximately HK\$16.6 million, HK\$25.4 million, HK\$20.1 million and HK\$18.3 million, representing approximately 1.1%, 1.4%, 1.0% and 0.9% of our total assets as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. The increase in our property, plant and equipment as at 31 December 2017 compared to 31 December 2016 was mainly due to the renovation in relation to our Group's leased offices. The decrease in our property, plant and equipment as at 31 December 2018 compared to 31 December 2017 was mainly attributable to the depreciation in relation to leasehold improvements. The decrease in our property, plant and equipment as at 31 March 2019 compared to 31 December 2018 was mainly attributable to the depreciation in relation to leasehold improvements.

Right-of-use assets

We obtain the right to control the use of various land and buildings and plant and machinery for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from one to five years.

Our right-of-use assets increased from approximately HK\$6.5 million as at 31 December 2016 to approximately HK\$29.6 million as at 31 December 2017, which was primarily due to more properties leased as offices and the provision of reinstatement in relation to our leased offices.

Our right-of-use assets decreased from approximately HK\$29.6 million as at 31 December 2017 to approximately HK\$19.0 million as at 31 December 2018, and further decreased to HK\$14.9 million as at 31 March 2019, which was primarily due to the depreciation of our leased properties and the depreciation of the renovation in relation to our leased offices.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Bank Borrowings

The table below sets forth the bank borrowing of our Group as at the respective dates indicated:

	As at 31 December			As at 31 March	As at 31 July
	2016	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)
Bank loans — secured	<u>—</u>	<u>—</u>	<u>120,000</u>	<u>210,000</u>	<u>360,000</u>

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As at 31 December 2018 and 31 March 2019, our bank loan amounted to approximately HK\$120.0 million and HK\$210.0 million, respectively. The bank loans were repayable on demand, and the interest rate for our bank loans ranged from approximately 4.1% to 4.6% per annum and from approximately 3.6% to 5.0% per annum as at 31 December 2018 and 31 March 2019, respectively. The bank loans were guaranteed or secured by letters of comfort issued by our Controlling Shareholders. As at 31 December 2016 and 2017, we did not have any bank borrowing.

As at 31 July 2019, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this prospectus, we had aggregate banking facilities of approximately HK\$2,872.3 million. As at 31 July 2019, out of the aforesaid banking facilities available to us, we had utilised approximately HK\$793.9 million for performance bonds and HK\$360.0 million for loans, leaving approximately HK\$1,718.4 million of our banking facilities unutilised.

Of our Group's banking facilities as at 31 July 2019, approximately HK\$2,070.0 million were guaranteed or secured by letters of comfort issued by our Controlling Shareholders. Such amount will be replaced by corporate guarantees executed by our Company upon the Listing.

Our Directors confirm that our Group has not experienced any difficulties in obtaining bank borrowings nor any default in repayment on bank borrowings during the Track Record Period and up to the Latest Practicable Date.

In December 2015, Zhejiang Construction Investment, being our controlling shareholder, was notified by one of the cooperative banks of our Group (the “**Bank**”) that the Bank intended to discontinue the banking relationship globally with Zhejiang Construction Investment. Subsequently in 2016, our Group was requested by the Bank to close the bank accounts of our subsidiaries maintained with the Bank. After the abovementioned action of the Bank, we did not utilise any new banking facilities provided by the Bank. Our Directors confirm that our Group did not breach any covenants under the banking facilities provided by the Bank during the Track Record Period and the above matter did not have any material adverse impact on the financial results, financial condition or working capital status of our Group. In August 2017, we were approached by the Bank to restart the banking relationship with us. The Bank restarted the banking relationship with us in May 2018. As at 31 July 2019, the balance of banking facilities provided by the Bank and utilised by us amounted to approximately HK\$26.7 million and HK\$24.3 million, respectively.

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Lease liabilities

The following table sets forth our lease liabilities as of the dates indicated:

	As at 31 December			As at 31 March	As at 31 July
	2016	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Current	5,846	14,343	14,549	11,943	7,393
Non-current	<u>687</u>	<u>12,545</u>	<u>3,221</u>	<u>2,092</u>	<u>1,615</u>
Total	<u>6,533</u>	<u>26,888</u>	<u>17,770</u>	<u>14,035</u>	<u>9,008</u>

Contingent liabilities

At 31 December 2016, 2017 and 2018, 31 March 2019 and 31 July 2019, approximately HK\$622.2 million, HK\$748.3 million, HK\$930.5 million, HK\$932.8 million and HK\$793.9 million, respectively of performance bonds were given by banks in favour of our customers as security for the due performance and observance of our obligation under the contracts entered into between us and our customers. If we fail to provide satisfactory performance to our customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. We will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work. At 31 July 2019, our Directors do not consider it probable that a claim will be made against our Group.

In the ordinary course of our construction business, we have been subject to a number of claims due to personal injuries suffered by our employees or our subcontractors in accidents arising out of and in the course of their employment. Our Directors are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of our Group.

Our Directors confirm that (i) there had not been any material change in our indebtedness and contingent liabilities since 31 July 2019 and up to the Latest Practicable Date; (ii) the bank borrowings and bank facilities are subject to the standard banking conditions and covenants; (iii) our Group had complied with all of the covenants under our bank loans during the Track Record Period; (iv) save as disclosed above, our Group had not received any notice from any bank indicating that it might withdraw or downsize the bank loans and bank facilities; and (v) our Group did not have any material external debt financing plans as at the Latest Practicable Date.

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Save as disclosed above, we did not have, at the close of business on 31 July 2019, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or any material contingent liabilities.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the internal resources cash generated from our operation, and the estimated net proceeds of the Share Offer, we have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

CAPITAL COMMITMENTS

Our Group had no capital commitments as at 31 December 2016. As at 31 December 2017, we had capital commitments of approximately HK\$1.2 million, of which (i) approximately HK\$0.1 million was related to capital commitments contracted but not provided for leasehold improvement; and (ii) approximately HK\$1.1 million was related to capital commitments contracted but not provided for business management software. As at 31 December 2018 and 31 March 2019, we had capital commitments of approximately HK\$0.7 million and HK\$0.7 million, respectively, which was related to capital commitments contracted but not provided for business management software.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements during the Track Record Period. We do not engage in trading activities involving non-exchange traded contracts. In the course of our normal business, we do not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

		As at 31 December			As at
	Note	2016	2017	2018	31 March
					2019
Current ratio	1	1.4	1.2	1.2	1.2
Quick ratio	2	1.4	1.2	1.2	1.2
Gearing ratio	3	—	—	0.3	0.6

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		For the year ended 31 December			For the three months ended 31 March
	<i>Note</i>	2016	2017	2018	2019
Return on total assets	4	3.2%	3.6%	3.3%	0.8%
Return on equity	5	12.1%	16.6%	19.4%	4.9%
Net profit margin	6	1.8%	1.9%	1.3%	1.5%
Interest coverage ratio	7	189.0	63.2	25.5	9.9

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities at the respective reporting date.
2. Quick ratio is calculated based on the difference between the total current assets and inventories divided by the total current liabilities at the respective reporting date.
3. Gearing ratio is calculated based on the total interest-bearing loans and borrowings divided by total equity at the respective reporting date.
4. Return on total assets is calculated based on the profit for the year divided by the average of the beginning and ending balance of total assets for the year. Return on total assets for the three months ended 31 March 2019 is calculated based on the profit for the three months ended 31 March 2019 divided by average of total assets as at 31 December 2018 and 31 March 2019.
5. Return on equity is calculated based on the profit for the year divided by the average of the beginning and ending balance of total equity for the year. Return on equity for the three months ended 31 March 2019 is calculated based on the profit for the three months ended 31 March 2019 divided by average of total equity as at 31 December 2018 and 31 March 2019.
6. Net profit margin is calculated based on the profit for the year/period divided by the revenue for the respective year/period.
7. Interest coverage ratio is calculated based on profit before interest and tax divided by finance costs for the respective year/period.

Current ratio

Our current ratio was approximately 1.4 times, 1.2 times, 1.2 times and 1.2 times as at 31 December 2016, 2017 and 2018, and 31 March 2019 respectively.

The slight decrease in current ratio as at 31 December 2017 as compared to that as at 31 December 2016 was due to the increase in trade and retention payables as at 31 December 2017. The increase in trade and retention payables was mainly due to more works completed by our subcontractors near the end of 2017. As at 31 December 2017 and 2018 and 31 March 2019, our current ratio remained relatively stable.

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Quick ratio

Our quick ratio was approximately 1.4 times, 1.2 times, 1.2 times and 1.2 times as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. Since we did not have any inventory, quick ratio of our Group was the same as current ratio.

Gearing ratio

Our gearing ratio was nil, nil, approximately 0.3 times and 0.6 times as at 31 December 2016, 2017 and 2018, respectively. Our Group did not record any loans and borrowings as at 31 December 2016 and 2017 and therefore the gearing ratio was nil. We recorded interest-bearing bank borrowing of approximately HK\$120.0 million and HK\$210.0 million as at 31 December 2018 and 31 March 2019, respectively. Therefore, our gearing ratio increased from approximately 0.3 times as at 31 December 2018 to approximately 0.6 times as at 31 March 2019.

Return on total assets

Return on total assets of our Group for each of the three years ended 31 December 2018 and the three months ended 31 March 2019 was approximately 3.2%, 3.6%, 3.3% and 0.8%, respectively.

Return on total assets increased from approximately 3.2% for the year ended 31 December 2016 to approximately 3.6% for the year ended 31 December 2017. This was mainly due to the increase in net profit for the year ended 31 December 2017 as compared to the year ended 31 December 2016, the reasons for which were discussed in the paragraph headed “Comparison of results of operations - Year ended 31 December 2017 compared with year ended 31 December 2016” in this section above.

Return on total assets decreased from approximately 3.6% for the year ended 31 December 2017 to approximately 3.3% for the year ended 31 December 2018 notwithstanding the increase in profit during the same years. This was primarily due to the increase in average total assets for the year ended 31 December 2018 as compared to the year ended 31 December 2017 caused by the increase in contract assets.

For the three months ended 31 March 2019, we recorded return on total assets of approximately 0.8%, primarily reflecting less profit recorded for such period. Our Directors consider that three months period financial results were not comparable to that of the full year.

Return on equity

The return on equity of our Group for each of the three years ended 31 December 2018 and the three months ended 31 March 2019 was approximately 12.1%, 16.6%, 19.4% and 4.9%, respectively.

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Our return on equity increased from approximately 12.1% for the year ended 31 December 2016 to approximately 16.6% for the year ended 31 December 2017 and further increased to approximately 19.4% for the year ended 31 December 2018, which was mainly due to the decrease in our average total equity and increase in net profit. The reasons for the increase in net profit were discussed in detail in the paragraph headed “Comparison of results of operations” in this section above.

For the three months ended 31 March 2019, we recorded return on equity of approximately 4.9%, primarily reflecting less profit recorded for such period. Our Directors consider that three months period financial results were not comparable to that of the full year.

Net profit margin

For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, our net profit margin was approximately 1.8%, 1.9%, 1.3% and 1.5%, respectively.

Our net profit margin remained relatively stable for each of the two years ended 31 December 2017.

Our net profit margin decreased from approximately 1.9% for the year ended 31 December 2017 to approximately 1.3% for the year ended 31 December 2018. The decrease in net profit margin for the year ended 31 December 2018 was primarily attributable to the decrease in our gross profit margin, which was partially offset by the decrease in listing expenses.

Our net profit margin increased from approximately 1.3% for the year ended 31 December 2018 to approximately 1.5% for the three months ended 31 March 2019. The increase in net profit margin for the three months ended 31 March 2019 was primarily attributable to the increase in our gross profit margin, which was partially offset by the increase in administrative expenses and finance costs.

Interest coverage ratio

Our interest coverage ratio was approximately 189.0 times, 63.2 times, 25.5 times and 9.9 times for each of the three years ended 31 December 2018 and the three months ended 31 March 2019, respectively.

Our interest coverage ratio decreased from approximately 189.0 times for the year ended 31 December 2016 to approximately 63.2 times for the year ended 31 December 2017. Such decrease was primarily due to the increase in finance costs from approximately HK\$0.3 million for the year ended 31 December 2016 to approximately HK\$1.2 million for the year ended 31 December 2017 despite the increase in profit before interest and tax during the same year. The increase in finance costs for the year ended 31 December 2017 was primarily due to the increase in interest-bearing bank borrowing during the year ended 31 December 2017.

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Our interest coverage ratio decreased from 63.2 times for the year ended 31 December 2017 to approximately 25.5 times for the year ended 31 December 2018. Such decrease was mainly due to the increase in our finance costs from approximately HK\$1.2 million for the year ended 31 December 2017 to approximately HK\$3.2 million for the year ended 31 December 2018. The increase in finance costs for the year ended 31 December 2018 was primarily due to the increase in our interest-bearing bank borrowing during the year ended 31 December 2018.

Our interest coverage ratio decreased from 25.5 times for the year ended 31 December 2018 to approximately 9.9 times for the three months ended 31 March 2019. Such decrease was mainly due to the increase in our finance costs for the three months ended 31 March 2019, which was primarily due to the increase in our interest-bearing bank borrowing and the bank borrowing had higher interest rates.

FINANCIAL RISK MANAGEMENT

Our principal financial instruments include cash and cash equivalents, trade receivables, other receivables, an amount due from an intermediate holding company, trade and retention payables and other payables and accruals. The main risks arising from our financial instruments are credit risk and liquidity risk. Our Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

We trade only with recognised and creditworthy third parties. It is our policy that only well-established customers will be considered for open account terms and the approval of credit terms is subject to stringent credit check procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

The credit risk of our other financial assets, which comprise cash and cash equivalents, trade and retention receivables, an amount due from an intermediate holding company and other receivables, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since we trade only with recognised and creditworthy third parties, there is no requirement for collateral. We had certain concentrations of credit risk as the trade and retention receivables in terms of the following percentages were due from our largest external customer and our five largest external customers out of our total trade receivables:

	As at 31 December			As at
	2016	2017	2018	31 March
	%	%	%	2019
				%
Due from our largest external customer	<u>14</u>	<u>23</u>	<u>21</u>	<u>19</u>
Due from our five largest external customers	<u>51</u>	<u>57</u>	<u>68</u>	<u>63</u>

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Further quantitative data in respect of our exposure to credit risk arising from trade receivables, please refer to note 18 to the Accountants' Report set out in Appendix I to this prospectus.

We have applied the simplified approach to providing for impairment for expected credit losses ("ECLs") prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information.

All of the current portions of our other receivable balances are expected to be recovered or recognised as expenses within one year.

Maximum exposure and year-end staging as at 31 December 2016, 2017 and 2018 and 31 March 2019

The table below shows the credit quality and the maximum exposure to credit risk based on our credit policy, which is mainly based on past due information unless other information is available without undue cost or effort. The amounts presented are gross carrying amounts for financial assets:

As at 31 December 2016

	12-month ECLs	Lifetime ECLs Simplified approach	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets*	—	391,716	391,716
Trade receivables*	—	366,820	366,820
Amount due from an intermediate holding company	611,372	—	611,372
Financial assets included in prepayments, deposits, and other receivables			
- Normal**	12,019	—	12,019
Cash and cash equivalents			
- Not yet past due	<u>74,806</u>	<u>—</u>	<u>74,806</u>
	<u>698,197</u>	<u>758,536</u>	<u>1,456,733</u>

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As at 31 December 2017

	12-month ECLs	Lifetime ECLs Simplified approach	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets*	—	751,856	751,856
Trade receivables*	—	556,828	556,828
Amount due from an intermediate holding company	56	—	56
Financial assets included in prepayments, deposits, and other receivables			
- Normal**	15,859	—	15,859
Pledged deposits			
- Not yet past due	25,662	—	25,662
Cash and cash equivalents			
- Not yet past due	<u>392,066</u>	<u>—</u>	<u>392,066</u>
	<u>433,643</u>	<u>1,308,684</u>	<u>1,742,327</u>

As at 31 December 2018

	12-month ECLs	Lifetime ECLs Simplified approach	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets*	—	1,138,675	1,138,675
Trade receivables*	—	688,719	688,719
Financial assets included in prepayments, deposits, and other receivables			
- Normal**	19,607	—	19,607
Pledged deposits			
- Not yet past due	25,961	—	25,961
Cash and cash equivalents			
- Not yet past due	<u>103,091</u>	<u>—</u>	<u>103,091</u>
	<u>148,659</u>	<u>1,827,394</u>	<u>1,976,053</u>

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As at 31 March 2019

	12-month ECLs	Lifetime ECLs Simplified approach	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets*	—	1,411,421	1,411,421
Trade receivables*	—	386,370	386,370
Amount due from an intermediate holding company	55,000	—	55,000
Financial assets included in prepayments, deposits, and other receivables			
- Normal**	24,614	—	24,614
Pledged deposits			
- Not yet past due	26,054	—	26,054
Cash and cash equivalents			
- Not yet past due	<u>109,459</u>	<u>—</u>	<u>109,459</u>
	<u>215,127</u>	<u>1,797,791</u>	<u>2,012,918</u>

* For trade receivables and contract assets to which our Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 18 and 17 to the Accountants' Report in Appendix I to this prospectus, respectively.

** The credit quality of our financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Liquidity risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets and projected cash flows from operations.

Our objective is to maintain a balance between continuity of funding and flexibility through the use of funds generated from operations.

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The maturity profile of our financial liabilities as at the end of each reporting period during the Track Record Period, based on the contractual undiscounted payments, is as follows:

	On demand <i>HK\$'000</i>	Less than 1 year <i>HK\$'000</i>	More than 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2016				
Trade and retention payables	85,990	124,324	129,656	339,970
Financial liabilities included in other payables and accruals	103	704,143	—	704,246
Lease liabilities	—	5,920	692	6,612
	<u>86,093</u>	<u>834,387</u>	<u>130,348</u>	<u>1,050,828</u>

	On demand <i>HK\$'000</i>	Less than 1 year <i>HK\$'000</i>	More than 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2017				
Trade and retention payables	122,981	529,684	91,591	744,256
Financial liabilities included in other payables and accruals	103	689,594	—	689,697
Lease liabilities	—	14,897	12,795	27,692
	<u>123,084</u>	<u>1,234,175</u>	<u>104,386</u>	<u>1,461,645</u>

	On demand <i>HK\$'000</i>	Less than 1 year <i>HK\$'000</i>	More than 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2018				
Trade and retention payables	107,163	718,392	159,314	984,869
Financial liabilities included in other payables and accruals	146	526,154	—	526,300
Interest-bearing bank borrowings	120,000	—	—	120,000
Lease liabilities	—	14,860	3,301	18,161
	<u>227,309</u>	<u>1,259,406</u>	<u>162,615</u>	<u>1,649,330</u>

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	On demand <i>HK\$'000</i>	Less than 1 year <i>HK\$'000</i>	More than 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2019				
Trade and retention payables	146,814	483,680	163,045	793,539
Financial liabilities included in other payables and accruals	146	628,778	—	628,924
Interest-bearing bank borrowings	210,000	—	—	210,000
Lease liabilities	—	12,152	2,153	14,305
	<u>356,960</u>	<u>1,124,610</u>	<u>165,198</u>	<u>1,646,768</u>

Capital management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern in order to provide returns for the shareholder and to maintain an optimal capital structure to reduce the cost of capital.

We manage our capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to the shareholder or return capital to the shareholder. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

DIVIDENDS

In August 2017, an interim dividend of approximately HK\$150.0 million was declared by CR Construction and paid to Zhejiang Construction HK, being the immediate holding company of CR Construction prior to the Reorganisation. In August 2018, an interim dividend of approximately HK\$30.4 million was declared by our Company and paid to CR Investments in September 2018. Save as the above, no other dividend or distribution has been declared, made or paid by any members of our Group during the Track Record Period and up to the Latest Practicable Date.

We currently do not have a fixed dividend policy and may declare dividends by way of cash or other means that our Directors consider appropriate. A decision to declare any dividend in the future would require the approval of the Board and depend upon the following factors:

- our financial results;
- our shareholders' interests;
- general business conditions, strategies and future expansion needs;

FINANCIAL INFORMATION

- our capital requirements;
- the payment by our subsidiaries of cash dividends to our Company;
- possible effects on liquidity and financial position of our Group; and
- other factors that the Board may consider relevant.

DISTRIBUTABLE RESERVES

As at 31 March 2019, our Company did not have any distributable reserve available for distribution to our Shareholders.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$43.6 million (based on the mid-point of the indicative price range for the Share Offer). Of such amount, (i) approximately HK\$9.3 million, HK\$5.5 million and HK\$1.5 million have been charged to the consolidated statements of profit or loss of our Group for the year ended 31 December 2017 and 2018 and the three months ended 31 March 2019, respectively; (ii) approximately HK\$13.2 million is expected to be charged to our consolidated statements of profit or loss for the nine months ending 31 December 2019; and (iii) the remaining approximately HK\$14.1 million is expected to be accounted for as a deduction from equity upon Listing. Expenses in relation to the Listing are non-recurring in nature. Our Board wishes to inform the Shareholders and potential investors that our financial performance for the year ending 31 December 2019 will be adversely affected by the estimated expenses in relation to the Listing.

RELATED PARTIES TRANSACTIONS

We entered into certain related party transactions with our related parties during the Track Record Period. For details, please refer to the section headed “Related party transactions” in note 32 to the Accountants’ Report set out in Appendix I to this prospectus.

Our Directors are of the view that the related party transactions were conducted on arm’s length basis, on normal commercial terms and fair and reasonable and in the interest of the Shareholders as a whole. Our Director also confirm that these related party transactions would not distort our Group’s results of operations during the Track Record Period or make our Group’s historical results not reflective of our future performance. All the amounts with the related parties will be fully settled before Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the paragraph headed “A. Unaudited pro forma statement of adjusted consolidated net tangible assets” in Appendix II to this prospectus.

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DISCLOSURE REQUIRED UNDER THE LISTING RULES

Pursuant to Rule 13.18 of the Listing rules, a general disclosure obligation will arise where an issuer or any of its subsidiaries enters into a loan agreement that includes a condition imposing specific performance obligations on any controlling shareholder, such as a requirement to maintain a specified minimum holding in the share capital of the listed issuer.

As at 31 July 2019, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this prospectus, we had the following banking facilities that imposed specific performance obligations on our Controlling Shareholders:

Name of Borrower	Name of Bank	Amount of banking facilities	Expiry date of the banking facilities	Details of the specific performance obligations imposed on our Controlling Shareholders
CR Construction	Bank A	HK\$950 million	The banking facility does not have a fixed expiry date and the bank has discretion to cancel the facility any time	<ol style="list-style-type: none"> 1) CR Construction shall continue to be wholly owned and managed by Zhejiang Construction Investment. 2) Zhejiang Construction Investment shall continue to be majority owned and managed by the Zhejiang Provincial Government.
CR Construction	Bank B	HK\$150 million	The banking facility does not have a fixed expiry date and the bank has discretion to cancel the facility any time	<ol style="list-style-type: none"> 1) Zhejiang Construction Investment shall maintain indirectly or directly of not less than 60% controlling power of CR Construction 2) Zhejiang Provincial Government shall maintain its shareholding at not less than 50% in CR Construction.

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Name of Borrower	Name of Bank	Amount of banking facilities	Expiry date of the banking facilities	Details of the specific performance obligations imposed on our Controlling Shareholders
CR Construction	Bank E	HK\$450 million	The banking facility does not have a fixed expiry date and the bank has discretion to cancel the facility any time	1) Zhejiang Province Government shall directly or indirectly beneficially own not less than 51% of shareholding of Zhejiang Construction Investment. 2) Zhejiang Construction HK shall remain directly or indirectly wholly owned by Zhejiang Construction Investment. 3) CR Construction shall remain directly or indirectly wholly owned by Zhejiang Construction HK.
CR Construction	Bank F	HK\$150 million	The banking facility does not have a fixed expiry date and the bank has discretion to cancel the facility any time	Zhejiang Construction Investment shall continue to hold, directly or indirectly, no less than 50% interest in CR Construction
CR Construction	Bank G	HK\$450 million	The banking facility does not have a fixed expiry date and the bank has discretion to cancel the facility any time	Zhejiang Construction Investment shall at all times maintain directly or indirectly not less than 51% ownership of CR Construction

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Name of Borrower	Name of Bank	Amount of banking facilities	Expiry date of the banking facilities	Details of the specific performance obligations imposed on our Controlling Shareholders
CR Construction	Bank H	HK\$300 million	The banking facility does not have a fixed expiry date and the bank has discretion to cancel the facility any time	<p>1) (In case the Company has been listed on the Stock Exchange) The Company shall maintain a majority control of CR Construction.</p> <p>2) Zhejiang Construction Investment shall maintain beneficially own, directly or indirectly, at least 65% of the entire issued share capital of CR Construction.</p> <p>3) Zhejiang Provincial Government shall maintain beneficially own, directly or indirectly, at least 51% of the entire issued share capital of Zhejiang Construction Investment.</p>

Our Directors have confirmed that, as at the Latest Practicable Date, save as disclosed above, they were not aware of any circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 March 2019, being the date of the last audited financial statements as set out in Appendix I to this prospectus, up to the date of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

The section headed “Business — Business strategies and future plans” in this prospectus sets out a detailed description of our future plans.

REASONS FOR THE LISTING AND SHARE OFFER

According to the CIC Report, it is estimated the building construction works industry in Hong Kong will continue to grow in light of the market drivers such as (i) the increasing land supply; (ii) the increasing demand for residential buildings and hotels; (iii) the mega public infrastructure projects; and (iv) the stable macroeconomic environment in Hong Kong. For details, please refer to the section headed “Industry Overview” in this prospectus. Taking into account our business growth during the Track Record Period, the outstanding contract sum carried forward as at 31 December 2018, the amount of tenders we have submitted after the Track Record Period and our expected increase in capability in undertaking additional projects subsequent to the Listing, our Directors believe that we are well positioned to continue to expand by capturing the new business opportunities and market growth. In particular, our Directors are confident that there are considerable business opportunities to satisfy the demand of our services and for us to grow and further solidify our market share and position, given that the construction industry in Hong Kong is relatively fragmented and we enjoyed a market share of approximately 5.2% and 0.2% of the building contraction works and RMAA works industries in 2018, respectively.

Based on the abovementioned, we intend to expand our scale of operation through our intended effort in actively seeking opportunities in undertaking additional building construction and RMAA projects from our existing and new customers. In particular, we intend to tender for and secure more contracts, further strengthen our manpower, further enhance our information technology and adhere to prudent financial management.

Our Directors consider that the Listing is beneficial to our Company for the following reasons:

- **Satisfying the funding requirements to finance our projects and capture further business opportunities**

- (i) *We need to bear upfront costs of our projects*

As a main contractor, we are normally required to pay for certain costs and expenses upfront such as deposits, insurance, costs of construction of temporary works, costs of construction materials, subcontracting charges, machinery and equipment expenses. The aforesaid upfront costs generally (i) are payable before the commencement and during the early stages of the building construction and RMAA projects; (ii) will materialise in every project with the estimated amount fixed and subject to terms of the contract specific to each projects; and (iii) are paid in circumstances that are reasonably foreseeable by the Group. The purpose of reserving the upfront costs is to satisfy upfront cost requirement before we receive first progress payment from customer.

FUTURE PLANS AND USE OF PROCEEDS

Based on the reasonable estimation of our Directors with reference to our historical projects during the Track Record Period, we are generally required to pay in advance or reserve a sum amounting to approximately 1.7% of the total contract sum to satisfy the upfront cost requirement. As a result, since our Directors believe that our business is expected to continue to expand as illustrated above, it is estimated that we shall apply the net proceeds of at least HK\$36.0 million for financing the upfront costs requirement of the potential new projects for the period from the Listing Date to 31 December 2019, at least HK\$68.0 million for the potential new projects for the year ending 31 December 2020 and HK\$3.4 million for the potential new projects for the first quarter of year 2021.

Even though we actively submit tenders for various projects, we have targeted to tender the following potential new projects and expect to receive these potential new projects to commence in the later part of year 2019, the year 2020 and the first quarter of year 2021. The overview and details of our potential new projects are as follows:

	Name of New project	Amount of net proceeds for project ^(Note 1)	Contract sum (HKD)	Nature	Customer sector	Expected commencement date
1	Potential New Project A	30,940,000	1,820,000,000	Residential	Private	Q4 2019
2	Potential New Project B	5,100,000	300,000,000	School	Public	Q4 2019
3	Potential New Project C	30,600,000	1,800,000,000	Public Housing	Public	Q2 2020 ^(Note 3)
4	Potential New Project D	37,400,000	2,200,000,000	Residential	Private	Q4 2020 ^(Note 3)
5	Potential New Project E ^(Note 2)	3,360,000	250,000,000	Residential	Private	Q1 2021 ^(Note 3)
	Total	107,400,000	6,370,000,000			

Note 1: The net proceeds were calculated based on experience in previous projects during the Track Record Period, amounting to approximately 1.7% of the total contract sum which we need to reserve in advance to satisfy the upfront cost.

Note 2: For Potential New Project E, our Group will apply the internal financial resources or external funding to satisfy the shortfall of the upfront cost where necessary.

Note 3: For Potential New Projects C, D and E, our Group will set aside the net proceeds despite the fact that they will only commence in 2020 and 2021, respectively, in order to (i) ensure our Group can deploy adequate resources to undertake the relevant projects taking into account the average project period (i.e. approximately 20 months), current projects on hand and progress of each project on hand; and (ii) allow our Group to achieve a level of financial certainty when planning the financing of the Potential New Projects C, D and E.

Open tender and/or invitation to tender have not yet commenced for Potential New Projects C, D and E. However, our Group has (i) already attended the tender interview in relation to Potential New Project A; (ii) received and addressed five rounds of tender query; (iii) submitted site supervision plan; and (iv) received instruction from project consultant to prepare and submit the relevant application form BA8. From our past experience in the industry, the Directors

FUTURE PLANS AND USE OF PROCEEDS

believe the tender application for Potential New Project A has reached the final stage with our Group successfully addressing material queries raised in relation thereto and that the Group has a high likelihood of winning this tender. For Potential New Project B, our Group's tender application made in mid-July 2019 is currently under review pending further update. Taking into account (i) our Group's experience and proven track record in building constructions industry and in school projects with substantial original contract sum (e.g. Projects C2, C22, C3, C9 and C36), which demonstrate our Group's ability to run projects of similar nature and scale of operation; and (ii) our Group's reputation and brand name that have built up over the years, our Directors believe that our Group has a reasonable likelihood of securing tender for Potential New Project B. While our Group remain optimistic about the likelihood of securing Potential New Projects A and B, our Group generally maintains and will continue to identify and update a list of open tender and/or invitation to tender (the "**Tender List**"). As at the Latest Practicable Date, the Group has 12 projects on the Tender List, of which the aggregate proposed tender price to be submitted amounts to approximately HK\$9,051.2 million, and we will make appropriate tender applications accordingly as and when necessary taking into account projects, resources and manpower on hand and will strive to win tenders for potential new projects.

For the period from 1 January 2019 to the Latest Practicable Date, the Group's contract sum of success tenders amounts to approximately HK\$1,534.6 million. Therefore, our Directors consider that if the Group wins the tender for Potential New Projects A and B in the second half of 2019, the total contract sum of successful tenders in the year 2019 will reach approximately HK\$3,654.6 million, representing approximately 87.9% of the average annual contract sum of successful tenders for the three years ended 31 December 2018 (average annual contract sum of successful tenders for the three years ended 31 December 2018 was approximately HK\$4,159.0 million). If the Group wins the tender for Potential New Projects C and D in 2020, the aggregate contract sum in the year 2020 will account for approximately 96.2% of the average annual contract sum of successful tenders for the three years ended 31 December 2018. Given substantial resources will be allocated to awarded projects, we will make reference to the Tender List and make appropriate tender applications as and when necessary based on the market conditions, resources and manpower available on hand accordingly. In any event, the corresponding upfront costs will depend on the size of the tender secured and our Group will apply the internal financial resources or external funding to satisfy the shortfall of the upfront costs where necessary.

Our Directors consider that if we fail to win the tender for Potential New Project A and/or Potential New Project B, or the aforesaid net proceeds cannot be fully utilised by 31 December 2019, we will continue to identify projects in the residential sector and allocate such net proceeds as upfront costs for the residential projects successfully tendered by our Group by the year 2020. If we fail to win the tender for Potential New Project C and/or Potential New Project D, or the aforesaid net proceeds cannot be fully utilised by 31 December 2020, we will likewise apply the net proceeds as upfront costs for residential projects successfully tendered by our Group by the year 2021. If we fail to win the tender for Potential New Project E, we will allocate net proceeds as upfront cost for the residential projects successfully tendered by our Group by 31 December 2021.

FUTURE PLANS AND USE OF PROCEEDS

According to the CIC Report, the gross output value of residential buildings in Hong Kong increased from approximately HK\$58.5 billion in 2018 to a predicted value of approximately HK\$86.6 billion in 2023, with a CAGR of approximately 8.2%. Also, it is projected that there will be 97,000 more private units in Hong Kong until 2022 with annual production estimated to be about 20,800 units on average until 2023 and estimated public housing production is about 100,000 units between 2019 and 2023. In addition, a number of infrastructure projects, including the proposed plan for “Ten Major Infrastructure projects”, have also provided a boost to the growth of Hong Kong’s public building construction works industry. Furthermore, the Government will increase land supply on all fronts in order to satisfy the housing, economic, and social development needs in Hong Kong. Furthermore, during the Track Record Period and up to the Latest Practicable Date, our Group has successfully completed six residential buildings and as at the Latest Practicable Date, our Group is engaged in five ongoing residential projects. Based on (i) the anticipated increase in supply for residential units which is expected to stimulate growth in the number of residential projects in the market; and (ii) our proven track record in the building construction industry and in residential projects, which play a significant role in enabling us to attract customers and secure new projects, we believe we will be able to obtain Potential New Projects A, B, C, D and E and if we fail to secure the potential new projects, we are optimistic that we are able to tender more residential projects moving forward.

Although our Directors are confident that we shall be able to achieve business growth in the future, there is no assurance that we will succeed in our competitive tenders. Should we be unable to achieve business growth as scheduled, we will continue to submit tender actively for alternative projects in the subsequent period and utilise the net proceeds to finance the upfront costs requirement. On the other hand, if the upfront costs requirement at any specific period is larger than our allocated proceeds, we will utilise our internal resources and/or debt financing to finance the outstanding upfront costs requirements. Despite the need to bear upfront costs, our Group has not declined any tender or awarded projects due to insufficient financial resources during the Track Record Period.

(ii) *We need to maintain sufficient available cash resources and working capital level*

From our experience, our average project period is approximately 20 months. According to the industry norm, the process is that our customers normally make monthly progress payments to us and we make monthly progress payments to our subcontractors. Our Directors consider that we should maintain cash of not less than 5% of our outstanding project value (the “**Working Capital Buffer**”) in order to support our daily operations and deal with any unexpected circumstances. Unlike upfront costs, the Working Capital Buffer generally (i) may be utilised at any stages of the building construction and RMAA projects as and when necessary; (ii) may be utilised when there is default or delay in payment by our customers; and (iii) are paid in circumstances that are unforeseeable and out of the Group’s control as contingency measure. The Working Capital Buffer is reserved to make sure the Group throughout the course of the project maintain a solid and healthy cash flow and is able meet the minimum working capital

FUTURE PLANS AND USE OF PROCEEDS

requirement of our major licenses even when unexpected circumstances arises, such as if the Group encounters any delay in payments and request for remedial work from our customers, etc. Our cash balance only represented approximately 1.7% of our outstanding contract sum as at 31 December 2016 because we transferred our temporary excess funds to Zhejiang Construction HK, the then holding company of CR Construction as it was the then policy and practice of our Group and Zhejiang Construction HK to centralise the management of the excess funds of CR Construction at its parent level. On the other hand, when our Group was short of fund, sufficient funds were transferred to us within a short period of time. The amount due from Zhejiang Construction HK, as at 31 December 2016, of approximately HK\$611.4 million was settled by the end of 2017. As at 31 December 2018, due to the influx of the commencement of seven projects, our cash balance was approximately HK\$103.1 million, representing approximately 1.5% of the aggregate outstanding contract sum of our existing projects of approximately HK\$6,993.9 million as at 31 December 2018.

As at 31 March 2019, due to the commencement of two major projects in the first quarter of 2019, our cash balance was approximately HK\$109.5 million, representing approximately 1.5% of the aggregate outstanding contract sum of our existing projects of approximately HK\$7,469.6 million as at 31 March 2019.

Due to lack of cash resources, our Group obtained additional bank borrowings for the working capital and construction costs. As a result, our drawdown of bank borrowings increased significantly from approximately HK\$1.0 million for the year ended 31 December 2016 to approximately HK\$230.0 million for the year ended 31 December 2017 and approximately HK\$970.0 million for the year ended 31 December 2018. For the quarterly comparison, the Group's drawdown of bank borrowings increased from approximately HK\$300.0 million for the three months ended 31 March 2018 to approximately HK\$400.0 million for the three months ended 31 March 2019. From our experiences as at 31 December 2016 and 31 December 2018, having low cash and bank balance to outstanding project value makes it difficult for our Group to maintain a solid and healthy working capital level and sufficiently provide for operational needs. In order to avoid increased bank borrowing, maintaining cash of not less than 5% of our outstanding project value is healthy and ideal for the Group. As explained above, it enables us to have more flexibilities in dealing with unexpected circumstances, and to avoid uncertainties on whether immediate bank borrowings are available and whether the terms and costs of such bank borrowings are reasonable.

In addition, our Directors consider that, during the tendering process, our customers would consider, among others, each contractor's financial condition. Therefore, our Directors are of the view that a Listing status would enable us to better compete and increase our chance of successfully tendering for the construction projects as it would enhance our working capital level thereby boosting the confidence of our customer on our Group.

Based on the above, our Directors are of the view that our existing financial resources would be limited without the support of our net proceeds from the Share Offer and therefore the Share Offer could enable us to raise additional funds for our current operational needs and future expansion.

FUTURE PLANS AND USE OF PROCEEDS

(iii) *We need to fulfill the regulatory requirement on financial capability.*

We are currently registered as an approved contractor of WBDB for Public Works Buildings (Group C) (Confirmed). Pursuant to the relevant regulatory requirement on financial capability, we are required to maintain a minimum working capital of HK\$20 million or 8% on the first HK\$1,010 million of annualised outstanding works and 10% on remainder, whichever is higher. We are also currently registered as an approved contractor of the Housing Authority for Building (New Works) (Group NW2) (Probationary). Pursuant to the relevant regulatory requirement on financial capability, we are required to maintain a minimum working capital of HK\$14.8 million or 8% on the first HK\$950 million of outstanding works and 10% on remainder, whichever is higher. According to the guidance of the relevant government authorities, working capital is calculated based on the net current assets of our Group after adjusting for items such as retention receivables due after 1 year and also taking into account the unutilised bank revolving loan and overdraft facilities available to our Group. Based on the outstanding contract sum of our existing projects and the tenders that would likely be awarded to us as at the Latest Practicable Date, minimum working capital of approximately HK\$518.6 million is required for us to fulfill the regulatory requirements. Our Directors consider that the net proceeds from the Share Offer could enhance our working capital in order to fulfill the regulatory requirement on an ongoing basis.

(iv) *Debt financing alone does not provide enough funding at reasonable costs*

During the Track Record Period, our operations were primarily financed by cash generated from our operating activities and bank borrowings. For each of the three years ended 31 December 2018 and the three months ended 31 March 2019, we raised bank loans of approximately HK\$1.0 million, HK\$230.0 million, HK\$970.0 million and HK\$400.0 million, respectively. Notwithstanding the fact that we had approximately HK\$1,718.4 million unutilised banking facilities for both issuance of performance bonds and drawdown of bank loans as at 31 July 2019, the maximum amount of bank loans that could be drawn down further was only approximately HK\$580.0 million. Therefore, our Directors consider it beneficial to our Group to raise fund by way of the Share Offer instead of solely relying on debt financing, having considered the following:

1. of our Group's total banking facilities of approximately HK\$2,872.3 million as at 31 July 2019, approximately HK\$2,070.0 million required corporate guarantee of and/or letter of comfort issued by our Controlling Shareholders. However, it is not within our control whether our Controlling Shareholders would continue to provide such financial assistance to us. Any material change in the financial management policy or financial position of our Controlling Shareholders may adversely affect their willingness or ability to continue to provide financial assistance to us. Meanwhile, we believe that becoming a publicly listed company would significantly enhance our ability to independently obtain loans from commercial banks. As at 31 July 2019, approximately HK\$2,070.0 million of our Group's banking facilities were guaranteed

FUTURE PLANS AND USE OF PROCEEDS

or secured by letters of comfort issued by our Controlling Shareholders. Such amount will be replaced by corporate guarantees executed by our Company upon the Listing. As such, we believe that a listing status would greatly enhance our creditworthiness and enable us to obtain better terms with financial institutions as an independent entity. Given the Group does not obtain further banking facilities of the issuance of performance bonds and bank loans, the amount of available banking facilities and the expected unutilised banking facilities upon Listing would be the same, even after releasing the Controlling Shareholders or replacing them by corporate guarantees;

2. the availability of banking facilities are not guaranteed in the long run. They are subject to policies of the banks, economic conditions of Hong Kong as a whole and our relationship with the banks from time to time. If the overall monetary supply in Hong Kong is tightened, commercial banks might be more prudent and selective in extending loans and our banking facilities may be withdrawn or reduced by the commercial banks;
3. our Group has been adhering to prudent financial management without exposing ourselves to a high gearing ratio in order to ensure sustainable growth. Although the current borrowing costs are mild in Hong Kong, there is no guarantee that the interest rates in Hong Kong will not rise in the future. Should the interest rates rise significantly, excessive bank borrowing would impose a serious financial burden on our Group and adversely affect our financial performance; and
4. banking facilities are often associated with restrictive terms and conditions such as requiring us to deposit certain level of cash with the bank or provide invoices certified by architect or engineer in order to utilise the facilities. These terms and conditions may create additional burden on our own financial resources or restrict the usage of the loan. As at 31 July 2019, we had banking facilities of approximately HK\$25.6 million which required us to place a pledged deposit on a dollar-for-dollar basis in order to utilise the facilities.

Based on all the aforesaid, our Directors consider that if we are to maintain our competitiveness and ensure sustainable business growth by undertaking more projects, it would be vital for us to enhance our available financial resources and strengthen our liquidity position such that we would be capable of financing our projects. Therefore, taking into account the necessity to retain reasonable level of working capital buffer to support our general operations and benefits of equity financing to support our long term development, we intend to utilise part of our net proceeds from the Share Offer to satisfy the upfront costs requirement.

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Should the Listing be delayed or not proceeded, in the event that we do not have sufficient resources at the project commencement date for the awarded or potential projects, we will negotiate with our relevant customer(s) for a delay in commencement of the subject project, but that may be subject to penalties imposed by the contract owner(s) and/or termination of our contract(s) by our relevant customers. In addition, we will slow down our business development by declining or offering less competitive price to tender invitations which we consider we may not have sufficient resources to undertake.

- **Obtaining a listing platform with more fund raising options**

Although our Controlling Shareholders operate a wide and diversified business portfolio, they intend to maintain their current diversified business portfolio after the Listing and have no present intention to transfer their businesses to our Group. Leveraging our reputation, established history and experience from the proven track record in the Hong Kong building construction works and RMAA works, we are capable of carrying out our own business operations independently and obtain financing without reliance on our Controlling Shareholders. In view of business development and funding needs of the Group, our Directors consider that the Listing could not only provide us with immediate funding but also a listing platform through which we could have more fund raising options which might not otherwise be available to us as a private company, such as placements, rights issues and issue of convertible securities.

For details on our Controlling Shareholders, please refer to the section headed “Relationship with our controlling shareholders — Principal business activities of our controlling shareholders” in this prospectus.

- **Increasing our competitiveness in the industry**

According to the CIC Report, there were a total of 751 registered general building contractors in Hong Kong as at 1 September 2019. In order to be successful in the competition, we have to demonstrate to our customers and business partners, among others, our quality of service, internal control and corporate governance standards as well as our financial strength and stability. Our Directors are of the view that a listing status could enhance our corporate profile and recognition in the industry and increase the transparency of our financial condition to the customers and business partners. It is expected that the market reputation and brand awareness of our Group can also be enhanced, which in turn will help enhance our relationship with our existing customers and attract more new customers to further expand our customer base. Besides, considering the fact that a number of our competitors in Hong Kong have already been listed on the Stock Exchange (in particular, according to the CIC Report, four of the other top five main contractors in building construction works industry in Hong Kong in 2018 have been listed on the Stock Exchange), our Directors believe that being a publicly listed company is necessary for us to remain competitive in the construction industry in Hong Kong.

FUTURE PLANS AND USE OF PROCEEDS

- **Enhancing work morale to nurture an integrated workforce**

To effectively implement our business strategies, our Directors are of the view that a public listing status allows us to more easily retain our existing staff. Our staff will feel more secured about their employment with us as compared to a private group and thus have a better morale at work. It will also improve our ability to recruit so as to expediently and effectively capture any business opportunities that may arise. As a result, an integrated workforce will improve the quality of our services and optimise our daily operations to the benefit of our long term development.

Upon Listing, our Group shall have a Share Option Scheme in place which our employees shall be entitled to share options of our Group. Our Directors consider that our staff would be incentivised to stay with our Group under the scheme and motivated to work towards the overall performance of our Group that aligning with the potential shareholders' interests as a whole.

Although fund raising by way of the Share Offer would incur a substantial amount of listing expenses, having considered (i) such listing expenses are not recurring; (ii) the Share Offer could provide our Group with a more balanced capital structure and flexibility in fund raising alternatives in the future; and (iii) the reasons for and benefits of the Listing as set out above, our Directors are of the view that the Share Offer is an appropriate fund raising method and is beneficial to our Company as a whole.

USE OF PROCEEDS

We intend to apply the net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and an Offer Price of HK\$1.2, being the mid-point of the Offer Price range, of approximately HK\$123.0 million as follows:

- approximately HK\$107.4 million, representing approximately 87.3% of the net proceeds will be used for financing the upfront costs, which include deposits, insurance, costs of construction of temporary works, costs of construction materials, subcontracting charges, machinery and equipment expenses before the commencement and during the early stage of our potential new projects;
- approximately HK\$9.8 million, representing approximately 8.0% of the net proceeds will be used in strengthening our manpower by recruiting additional project management, building service management and technical management staff as well as providing training courses for our staff to enhance our business management; and
- approximately HK\$5.8 million, representing approximately 4.7% of the net proceeds will be used in enhancing our information technology by acquiring and maintaining an enterprise resource planning system and expanding and upgrading our existing computer hardwares and softwares, to improve efficiency and consistency in our services provided.

FUTURE PLANS AND USE OF PROCEEDS

In the event that the Offer Price is set at the high-end of the proposed Offer Price range, our Group will receive additional net proceeds of the Share Offer of approximately HK\$26.8 million when compared to the net proceeds receivable by our Group with the Offer Price being determined at the mid-point of the range as stated in this prospectus, which will be used in the same proportions as set out above.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Share Offer will decrease by approximately HK\$26.8 million when compared to the net proceeds receivable by our Group with the Offer Price being determined at the mid-point of the range as stated in this prospectus. Under such circumstances, our Group intends to reduce its allocation of the net proceeds to the above purposes on a pro-rata basis.

To the extent that such net proceeds of the Share Offer are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

IMPLEMENTATION PLAN

Our implementation plans are set forth below for the period from the Listing Date to 31 December 2021. Investors should note that the following implementation plans are inherently subject to uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” in this prospectus. Our actual course of business may vary from our business strategies set out in this prospectus. There is no assurance that our plans will materialise in accordance with our expected time frame or that our objectives will be accomplished. While the actual course of events may invariably encounter unforeseeable changes and fluctuations, we shall use our best endeavours to anticipate changes, yet allowing for flexibility to implement the following plans. In the event of any material modifications to the use of proceeds as described above, we will issue announcement in accordance with the Listing Rules and disclose in our annual report for the relevant year as required by the Stock Exchange.

The following tables set out a summary of our implementation plan:

	From the Listing Date to 31 December 2019 <i>HK\$'000</i>	For the year ending 31 December 2020 <i>HK\$'000</i>	For the year ending 31 December 2021 <i>HK\$'000</i>	Total <i>HK\$'000</i>	Approximate percentage %
Financing the upfront costs of potential new projects	36,040	68,000	3,360	107,400	87.3
Strengthening manpower	2,586	5,172	2,000	9,758	8.0
Enhancing information technology system	1,614	3,228	1,020	5,862	4.7
			Total:	123,020	100.0

FUTURE PLANS AND USE OF PROCEEDS

The following tables set out the details of our implementation plan:

From the Listing Date to 31 December 2019

Business strategies	Implementation plans	Use of proceeds
Financing the upfront costs of potential new projects	— To continue carrying out the newly awarded building construction project and make payment of the relevant upfront costs	Approximately HK\$36.0 million
Strengthening manpower	— Payment of salary to the additional staff recruited	Approximately HK\$1.9 million
	— Training for our employees	Approximately HK\$0.5 million
	— Administrative fee for staff recruitment (such as advertisement and referral fee)	Approximately HK\$0.2 million
Enhancing information technology system	— To acquire and maintain an enterprise resource planning system	Approximately HK\$0.2 million
	— To expand and upgrade our existing computer hardwares and softwares	Approximately HK\$1.4 million

For the year ending 31 December 2020

Business strategies	Implementation plans	Use of proceeds
Financing the upfront costs of potential new projects	— To continue carrying out the newly awarded building construction project and make payment of the relevant upfront costs	Approximately HK\$68.0 million
Strengthening manpower	— Payment of salary to the additional staff recruited	Approximately HK\$3.7 million
	— Training for our employees	Approximately HK\$1.0 million
	— Administrative fee for staff recruitment (such as advertisement and referral fee)	Approximately HK\$0.5 million
Enhancing information technology system	— To acquire and maintain an enterprise resource planning system	Approximately HK\$0.4 million
	— To expand and upgrade our existing computer hardwares and softwares	Approximately HK\$2.8 million

FUTURE PLANS AND USE OF PROCEEDS

For the year ending 31 December 2021

Business strategies		Implementation plans	Use of proceeds
Financing the upfront costs of potential new projects	—	To continue carrying out the newly awarded building construction project and make payment of the relevant upfront costs	Approximately HK\$3.4 million
Strengthening manpower	—	Payment of salary to the additional staff recruited	Approximately HK\$1.3 million
	—	Training for our employees	Approximately HK\$0.5 million
	—	Administrative fee for staff recruitment (such as advertisement and referral fee)	Approximately HK\$0.2 million
Enhancing information technology system	—	To acquire and maintain an enterprise resource planning system	Approximately HK\$0.4 million
	—	To expand and upgrade our existing computer hardwares and softwares	Approximately HK\$0.6 million

UNDERWRITING

PUBLIC OFFER UNDERWRITERS AND PLACING UNDERWRITERS

First Shanghai Securities Limited
Zhongtai International Securities Limited
First Capital Securities Limited
Guotai Junan Securities (Hong Kong) Limited
Haitong International Securities Company Limited
Livermore Holdings Limited
CVP Securities Limited
Zinvest Global Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers for the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriter to subscribe for, or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) shall have the absolute right by notice in writing to our Company to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

1. There comes to the notice of the Joint Bookrunners and the Joint Lead Managers:
 - (a) any matter or event showing any of the representations, warranties and undertakings given to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the

UNDERWRITING

Public Offer Underwriters under the Public Offer Underwriting Agreement (the “**Warranties**”) to be untrue, inaccurate or misleading when given or repeated or there has been a breach of any of the Warranties or any other provisions of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters which, in any such cases, is considered, in the reasonable opinion of the Joint Bookrunners and the Joint Lead Managers, to be material in the context of the Public Offer; or

- (b) any statement contained in this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Public Offer and/or the Placing (including any supplement or amendment to any of the documents) (collectively, the “**Offer Documents**”) has become or been discovered to be untrue, incorrect or misleading which is considered, in the reasonable opinion of the Joint Bookrunners and the Joint Lead Managers, to be material in the context of the Public Offer; or
- (c) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading, and which is considered, in the reasonable opinion of the Joint Bookrunners and the Joint Lead Managers to be material in the context of the Public Offer; or
- (d) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Joint Bookrunners and the Joint Lead Managers, a material omission in the context of the Public Offer; or
- (e) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company and any of the executive Directors and the Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or
- (f) any breach by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which, in the reasonable opinion of the Joint Bookrunners and the Joint Lead Managers, is material; or
- (g) any material adverse change or development or prospective material adverse change or development in the conditions, business, general affairs, management, prospects, assets, liabilities, shareholders’ equity, profits, losses, operating results, the financial or trading position or performance of any member of our Group; or

UNDERWRITING

- (h) approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (i) our Company withdraws any of the Offer Documents (and any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or
 - (j) any person (other than the Joint Bookrunners and the Joint Lead Managers and any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in the Offer Documents or to the issue of the Offer Documents;
2. there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, the BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group; or
 - (b) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, the PRC, the BVI, the Cayman Islands or any of the jurisdictions relevant to the business of our Group, the local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or
 - (c) any adverse change in the conditions of Hong Kong or international equity securities or other financial markets; or
 - (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances; or
 - (e) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the PRC, the BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group's business; or
 - (f) any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of our Group; or

UNDERWRITING

- (g) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the U.S. or by the European Union (or any member thereof) on Hong Kong or the PRC; or
- (h) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or
- (i) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out;

which, in the reasonable opinion of the Joint Bookrunners and the Joint Lead Managers acting in good faith:

- (a) is or will be, or is likely to be, adverse to the business, financial or other condition or prospects of our Group taken as a whole; or
- (b) has or will have or is reasonably likely to have a material adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, or the distribution of the Offer Shares; or
- (c) makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Public Offer as a whole.

For the above purpose:

- (a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a material devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and
- (b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

Undertakings to the Stock Exchange pursuant to the Listing Rules

By our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances provided under Rule 10.08(1) to (5) of the Listing Rules or pursuant to the Share Offer, the Capitalisation Issue and the grant of options under the Share Option Scheme as described and contained in this prospectus.

UNDERWRITING

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company, respectively, that it shall not and shall procure that the relevant registered shareholder(s) shall not, save as pursuant to the Share Offer or otherwise permitted under the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it is shown by this prospectus to be the beneficial owners; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be a group of controlling shareholders (as defined in the Listing Rules).

Each of the Controlling Shareholders has also undertaken to the Stock Exchange and our Company, respectively, that within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it shall:

- (a) when it pledges or charges any Shares beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, each of our Company, our Controlling Shareholders and executive Directors had undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, except for the issue of

UNDERWRITING

shares pursuant to the Share Offer, the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of Shares upon exercise of any such options or as otherwise with the Joint Bookrunners' and the Joint Lead Managers' prior written consent, and unless in compliance with the Listing Rules, our Company will not, and our Company, the Controlling Shareholders and each of our executive Directors will procure none of our subsidiaries will, at any time during the six months commencing on the Listing Date (the "**First Six-month Period**"):

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or
- (ii) enter into any swap or other arrangement that transfers to others, in whole or in part, any of the economic consequence of ownership of such share capital, debt capital or other securities of our Company or interest therein; or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise.

In the event of our Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Shares or other securities of the Company or any members of the Group or any interest therein by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period (the "**Second Six-month Period**"), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Each of the Controlling Shareholders jointly and severally undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, our Company and the Public Offer Underwriters that during the 12 months immediately following the Listing Date, he/she/it shall not, without the prior written consent of the Joint Bookrunners and the Joint Lead Managers and unless pursuant to the Share Option Scheme or any exercise of options or otherwise in compliance with the requirements of the Listing Rules:

UNDERWRITING

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which he/she/it is shown in this prospectus to be directly or indirectly interested in (the “**Relevant Securities**”); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise; or
- (iii) enter or agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

The Placing

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing. It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors, our Controlling Shareholders and each of the holders of Shares whose names appear on the register of members of our Company at the close of business at the Latest Practicable Date will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed “Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

Commissions and expenses

The Underwriters will receive an underwriting commission at the rate of 3.5% of the aggregate Offer Price payable for the Offer Shares, out of which they will pay any sub-underwriting commissions. In addition, our Company may also in its sole and absolute discretion pay to the Underwriters or any one of them an incentive fee. Based on an Offer Price of HK\$1.2 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.0 per Offer Share and HK\$1.4 per Offer Shares, the total listing expenses (based on the min-point of the Offer Price range stated in this prospectus) are estimated to be HK\$43.6 million.

UNDERWRITING

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

INDEPENDENCE OF THE SOLE SPONSOR

First Shanghai Capital Limited, being the Sole Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer consists of (subject to reallocation):

- the Public Offer of 13,885,000 Shares (subject to reallocation as mentioned below) as described under the paragraph headed “The Public Offer” in this section; and
- the Placing of 124,965,000 Shares (including 13,850,000 Employee Reserved Shares) (subject to reallocation as mentioned below) as described under the paragraph headed “The Placing” in this section.

Of the 124,965,000 Offer Shares initially being offered under the Placing, 13,850,000 Offer Shares (representing approximately 10.0% of the total number of Offer Shares initially being offered under the Share Offer) are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** Application Form.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Offer Shares under the Public Offer as a member of the Public but may not apply for or indicate an interest for Placing Shares under the Placing.

The Offer Shares will represent approximately 27.8% of the enlarged total issued shares of our Company immediately after completion of the Share Offer.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “Pricing and allocation” in this section.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$1.4 per Offer Share and is expected to be not less than HK\$1.0 per Offer Share, unless otherwise announced. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$1.4 per Public Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,535.27 for one board lot of 2,500 Shares. Each Application Form includes a table showing the exact amounts payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$1.4 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The Offer Price is expected to be fixed by the Price Determination Agreement between the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Friday, 4 October 2019 and in any event, no later than 6:00 p.m. on Thursday, 10 October 2019.

If, for any reason, our Company and the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 6:00 p.m. on Thursday, 10 October 2019, the Share Offer will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) considers it appropriate and together with our consent, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the Stock Exchange's website and on our Company's website, the notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners and the Joint Lead Managers.

Allocation of the Offer Shares pursuant to the Placing will be determined by the Joint Bookrunners and the Joint Lead Managers and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of the Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the Placing and the basis of allocations of the Public Offer Shares are expected to be announced on Tuesday, 15 October 2019 on the Stock Exchange's website and on our Company's website.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Results of allocations in the Public Offer, including the Hong Kong identity card/ passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** application forms, will be made available through a variety of channels as described in the section headed “How to Apply for Public Offer Shares and Employee Reserved Shares — 10. Publication of results” in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be made available pursuant to the Capitalisation Issue and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or around the Price Determination Date;
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by us on the Stock Exchange’s website and on our Company’s website on the next day following such lapse.

Share certificates for the Offer Shares will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — The Public Offer — Grounds for termination” in this prospectus has not been exercised.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 13,885,000 Shares at the Offer Price, representing 10% of the 138,850,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent approximately 2.8% of the total issued share capital of our Company immediately after completion of the Share Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Completion of the Public Offer is subject to the conditions as set out in the section headed “Structure and conditions of the Share Offer — Conditions of the Public Offer” above.

Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools. Pool A will comprise 6,942,500 Public Offer Shares and Pool B will comprise 6,942,500 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 6,942,500 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Public Offer Shares are not fully subscribed or oversubscribed, the Joint Bookrunners and the Joint Lead Managers will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners and the Joint Lead Managers deem appropriate;
 - (ii) if the number of Offer Shares validly applied for under the Public Offer represents less than 15 times of the number of the Offer Shares initially available for subscription under the Public Offer, then 13,885,000 Offer Shares may be reallocated to the Public Offer from the Placing so that the total number of the Offer Shares available under the Public Offer will be 27,770,000 Offer Shares, representing 20% of the Offer Shares initially available under the Share Offer;
 - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 27,770,000 Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 41,655,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer;
 - (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 41,655,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 55,540,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer; and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 55,540,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 69,425,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (b) Where the Placing Shares are undersubscribed:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 13,885,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 27,770,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares from the Placing to the Public Offer in the circumstances where the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or the Placing Shares are undersubscribed and the Public Offer Shares are oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the indicative Offer Price range (i.e. HK\$1.0 per Offer Share) stated in this prospectus.

In the event of a reallocation of Offer Shares from the Placing to the Public Offer in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners and the Joint Lead Managers. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Public Offer shall be not more than 27,770,000 Offer Shares, representing double of the initial allocation to the Public Offer.

If the Public Offer is not fully subscribed for, the Joint Bookrunners and Joint Lead Managers will have the discretion (but shall not be under any obligation) to reallocate all or any of the unsubscribed Public Offer Shares in such amount as they deem appropriate.

The Employee Reserved Shares which are offered under the Employee Preferential Offering to the Eligible Employees out of the Offer Shares being offered under the Placing will not be subject to reallocation between the Public Offer and the Placing.

Applications

The Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners and the Joint Lead Managers so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares offered

The number of Shares to be initially offered for subscription under the Placing will be 124,965,000 Shares, representing 90% of the Offer Shares under the Share Offer. The Placing is subject to the Public Offer being unconditional.

Allocation

Pursuant to the Placing, the Placing Underwriters will conditionally place the Shares with institutional, professional and other investors expected to have a sizeable demand for the Shares in Hong Kong. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "bookbuilding" process described in paragraph headed "Pricing and allocation" above and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

THE EMPLOYEE PREFERENTIAL OFFERING

Of the 124,965,000 Offer Shares initially being offered under the Placing, 13,850,000 Offer Shares (representing approximately 10.0% of the total number of Offer Shares initially being offered under the Share Offer) are available for subscription by the Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Form. As at the Latest Practicable Date, there were a total of 628 Eligible Employees.

The Employee Reserved Shares are being offered out of the Placing and are not subject to the clawback mechanism as set out in the paragraph headed "The Public Offer — Reallocation" in this section.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Any application made on a **PINK** Application Form for more than 13,850,000 Employee Reserved Shares will be rejected.

Allocation of the Employee Reserved Shares under the Employee Preferential Offering will be based on the written guidelines distributed to the Eligible Employees which are consistent with the allocation guidelines contained in Practice Note 20 of the Listing Rules. The allocation of the Employee Reserved Shares under the Employee Preferential Offering will, in any event, be made on an equitable basis and will not be based on the identity, the seniority, the length of service or the work performance of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. Eligible Employees applying for Employee Reserved Shares will be subject to an allocation basis that is based on the level of valid applications received. The allocation basis will be determined by our Company's Hong Kong Branch Share Registrar based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in the Public Offer in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of Employee Reserved Shares.

Any Employee Reserved Shares not subscribed for by the Eligible Employees under the Employee Preferential Offering will be available for subscription under the Placing after the reallocation as described above in the paragraph headed "The Placing" in this section.

If you are an Eligible Employee, in addition to being able to apply for Employee Reserved Shares under the Employee Preferential Offering by a **PINK** Application Form, you may also apply for Public Offer Shares as a member of the public in the Public Offer on a **WHITE** Application Form or **YELLOW** Application Form or giving electronic application instructions to HKSCC via CCASS but may not apply for or indicate an interest for Placing Shares under the Placing. Eligible Employees will receive no preference as to entitlement or allocation in respect of such further application for Public Offer Shares.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 10.03 and a consent under paragraph 5 of Appendix 6 of the Listing Rules in relation to the participation by the Eligible Directors in the Employee Preferential Offering. Our compliance with the minimum public float requirement under Rule 8.08(1) of the Listing Rules will not be affected by the Employee Preferential Offering. Further details of the waiver application are set out in the section headed "Waiver from strict compliance with the Listing Rules".

Eligible Directors who intend to apply for Employee Reserved Shares will not participate in any decision of our Company in relation to the allocation basis for the Employee Preferential Offering.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 16 October 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 16 October 2019. The Shares will be traded in board lots of 2,500 Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

If you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form. In addition, Eligible Employees will be entitled to apply for Offer Shares under the Public Offer as a member of the Public but may not apply for or indicate an interest for Placing Shares under the Placing.

Our Company, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

You can also or alternatively, as applicable, apply for Employee Reserved Shares if you satisfy the above criteria and you are also an Eligible Employee.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Joint Bookrunners and the Joint Lead Managers may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

except for Eligible Employees who may apply for the Employee Reserved Shares apart from application for the Public Offer Shares.

Only Eligible Employees may apply for the Employee Reserved Shares on a **PINK** Application Form.

3. APPLYING FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

Which application channel to use

For Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply to the **HK eIPO White Form** Service Provider at www.hkeipo.hk.

For Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

If you are an Eligible Employee applying for the Employee Reserved Shares under the Employee Preferential Offering by using a **PINK** Application Form, you may apply for a number of Employee Reserved Shares up to a maximum of 13,850,000 Employee Reserved Shares. Your application must be in one of the number set out in table in the **PINK** Application Form, or your application will be rejected.

Where to collect the application forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 27 September 2019 to 12:00 noon on Thursday, 3 October 2019 from:

(i) the following addresses of Joint Bookrunners and Joint Lead Managers:

- First Shanghai Securities Limited
19/F & Room 2505-10, Wing On House
71 Des Voeux Road Central
Hong Kong
- Zhongtai International Securities Limited
19/F., Li Po Chun Chambers
189 Des Voeux Road Central
Central, Hong Kong
- First Capital Securities Limited
Unit 4512, 45/F
The Center
99 Queen's Road Central
Central, Hong Kong
- Guotai Junan Securities (Hong Kong) Limited
27/F Low Block Grand Millennium Plaza
181 Queen's Road Central
Hong Kong
- Haitong International Securities Company Limited
22/F., Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

(ii) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

District	Branch Name	Address
Hong Kong Island	Wanchai Branch	117-123 Hennessy Road, Wanchai, Hong Kong
	Electric Road Branch	113-115 Electric Road, Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Kowloon	Tsim Sha Tsui Branch	Shop 1&2, G/F, No. 35-37 Hankow Road, Tsimshatsui, Kowloon
	Prince Edward Branch	777 Nathan Road, Mongkok, Kowloon
	Lai Chi Kok Branch	Shop G06, G/F, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Lai Chi Kok, Kowloon
	Wong Tai Sin Branch	Shop 128, Level One, Wong Tai Sin Plaza, 103 Ching Tak Street, Wong Tai Sin, Kowloon

(iii) the following office of the Sole Sponsor:

First Shanghai Capital Limited at 19/F., Wing On House, 71 Des Voeux Road Central, Hong Kong

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 27 September 2019 until 12:00 noon on Thursday, 3 October 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

A **PINK** Application Form together with this prospectus can be collected by Eligible Employees from our Company's headquarters at Units 3-16, 32/F, Standard Chartered Tower, Millennium City 1, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong during normal business hours from 9:00 a.m. on Friday, 27 September 2019 until 12:00 noon on Wednesday, 2 October 2019. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from the website of our Company at www.cr-construction.com.hk.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited — CR Construction Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Friday, 27 September 2019 — 9:00 a.m. to 5:00 p.m.
- Saturday, 28 September 2019 — 9:00 a.m. to 1:00 p.m.
- Monday, 30 September 2019 — 9:00 a.m. to 5:00 p.m.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- Wednesday, 2 October 2019 — 9:00 a.m. to 5:00 p.m.
- Thursday, 3 October 2019 — 9:00 a.m. to 12:00 noon

Your completed **PINK** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited — CR Construction Employee Preferential Offering" for the payment must be returned to our Company's headquarters at Units 3-16, 32/F, Standard Chartered Tower, Millennium City 1, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong by 12:00 noon on Wednesday, 2 October 2019.

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 3 October 2019, the last application day or such later time as described in "10. Effect of bad weather on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) **undertake** to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners and the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) **agree** to comply with the Companies Law, Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Memorandum and the Articles of Association;
- (iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) **confirm** that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) **agree** that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) **agree** to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) and/or any e-Auto Refund payment instructions to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying (except that Eligible Employees may also make an additional application for the Employee Reserved Shares by using the **PINK** Application Forms apart from application for the Public Offer Shares);

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (xvii) understand that our Company, the Directors, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person (except that Eligible Employees may also make an additional application for the Employee Reserved Shares by using the **PINK** Application Forms apart from application for the Public Offer Shares); and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
- (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC (except that Eligible Employees may also make an additional application for the Employee Reserved Shares by using the **PINK** Application Forms apart from application for the Public Offer Shares); and
 - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional terms and conditions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

Additional terms and conditions for the Employee Preferential Offering

You may refer to the **PINK** Application Form for details.

5. APPLYING THROUGH THE **HK eIPO WHITE FORM SERVICE**

General

Individuals who meet the criteria in “Who can apply” in this section may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk. Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** service to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the **HK eIPO White Form** service

You may submit your application to the **HK eIPO White Form** service at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 27 September 2019 until 11:30 a.m. on Thursday, 3 October 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 3 October 2019 or such later time under the “10. Effect of bad weather on the opening of the applications lists” in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

No multiple applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - **agree** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant stock account;
 - **agree** to accept the Public Offer Shares applied for or any lesser number allocated;
 - **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the electronic application instructions are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - **confirm** that you understand that our Company, the Directors, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - **authorise** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- **agree** that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- **agree** to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 2,500 Offer Shares. Instructions for more than 2,500 Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, 27 September 2019 — 9:00 a.m. to 8:30 p.m.
- Monday, 30 September 2019 — 8:00 a.m. to 8:30 p.m.
- Wednesday, 2 October 2019 — 8:00 a.m. to 8:30 p.m.
- Thursday, 3 October 2019 — 8:00 a.m. to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 27 September 2019 until 12:00 noon on Thursday, 3 October 2019.

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 3 October 2019, the last application day or such later time as described in “10. Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the HK eIPO White Form service to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the HK eIPO White Form service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon, Thursday, 3 October 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee are liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **HK eIPO White Form** service in respect of a minimum of 2,500 Offer Shares. Each application or **electronic application instruction** in respect of more than 2,500 Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer — Pricing and allocation” in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 October 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 3 October 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the Final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and Employee Preferential Offering and the basis of allocation of the Offer Shares and Employee Reserved Shares on Tuesday, 15 October 2019 on our Company’s website at www.cr-construction.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offering will be available at the dates and times and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.cr-construction.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m., Tuesday, 15 October 2019;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result (alternatively, www.hkeipo.hk/iporesult) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 15 October 2019 to 12:00 midnight on Monday, 21 October 2019;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 15 October 2019 to Friday, 18 October 2019;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 15 October 2019 to Thursday, 17 October 2019 at all the receiving bank designated branches.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

(ii) **If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Joint Bookrunners, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company, the Joint Bookrunners or the Joint Lead Managers believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 6,942,500 Public Offer Shares and/or 13,850,000 Employee Reserved Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed “Structure and conditions of the Share Offer — Conditions of the Public Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 15 October 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below) and one share certificate for all Employee Reserved Shares allocated to you under the Employee Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** and/or **PINK** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 15 October 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m., Wednesday, 16 October 2019 provided that the Share Offer has become unconditional in all respects and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal collection

(i) *If you apply using a WHITE and/or PINK Application Form*

If you are an Eligible Employee and you apply for 1,000,000 Employee Reserved Shares or more under the Employee Preferential Offering and/or you apply for 1,000,000 Public Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 October 2019 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Employee Reserved Shares and/or Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 15 October 2019, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 15 October 2019, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 15 October 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 15 October 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the HK eIPO White Form Service*

If you apply for 1,000,000 or more Public Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 October 2019, or such other date as notified by our Company on its website as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 15 October 2019 by ordinary post at your own risk.

If you apply for and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

(iv) *If you apply via electronic application instructions to HKSCC*

Allocation of Offer Shares

For the purposes of allocating Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 15 October 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of results" above on Tuesday, 15 October 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 15 October 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 15 October 2019. Immediately following the credit of the Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 15 October 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following version is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
CR Construction Group Holdings Limited

First Shanghai Capital Limited

Dear Sirs,

We report on the historical financial information of CR Construction Group Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-71, which comprises the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019 (the “Track Record Period”), and the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 31 March 2019, and the statements of financial position of the Company as at 31 December 2017 and 2018 and 31 March 2019 and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-71 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 September 2019 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company (the “Directors”) are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2016, 2017 and 2018 and 31 March 2019, the financial position of the Company as at 31 December 2017 and 2018 and 31 March 2019, and of the financial performance and cash flows of the Group for each of the Track Record Period in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2018 and other explanatory information (the "Interim Comparative Financial Information"). The Directors are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Group in respect of the Track Record Period.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

27 September 2019

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

(A) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December			Three months ended 31 March	
	<i>Notes</i>	2016	2017	2018	2018	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(Unaudited)</i>	
REVENUE	6	2,577,398	3,141,390	4,813,860	1,102,972	1,115,023
Contract costs		<u>(2,456,929)</u>	<u>(2,975,430)</u>	<u>(4,628,400)</u>	<u>(1,050,959)</u>	<u>(1,061,716)</u>
Gross profit		120,469	165,960	185,460	52,013	53,307
Other income	6	352	1,121	1,777	493	374
Administrative expenses		(65,710)	(83,450)	(101,448)	(24,554)	(26,976)
Other gain/(loss), net		(123)	120	(136)	(26)	(1,996)
Finance costs	8	(291)	(1,178)	(3,150)	(202)	(2,348)
Listing expenses	7	<u>—</u>	<u>(9,334)</u>	<u>(5,457)</u>	<u>(595)</u>	<u>(1,490)</u>
PROFIT BEFORE TAX	7	54,697	73,239	77,046	27,129	20,871
Income tax expenses	11	<u>(8,828)</u>	<u>(14,346)</u>	<u>(13,615)</u>	<u>(4,829)</u>	<u>(3,755)</u>
PROFIT FOR THE YEAR/ PERIOD		<u>45,869</u>	<u>58,893</u>	<u>63,431</u>	<u>22,300</u>	<u>17,116</u>

(B) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
PROFIT FOR THE YEAR/PERIOD	45,869	58,893	63,431	22,300	17,116
OTHER COMPREHENSIVE INCOME					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Exchange differences:					
Exchange differences on translation of a foreign operation	74	—	—	—	—
Reclassification adjustments for a foreign operation deregistered during the year/period	44	—	—	—	—
	118	—	—	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	45,987	58,893	63,431	22,300	17,116

(C) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at
	Notes	2016	2017	2018	31 March
		HK\$'000	HK\$'000	HK\$'000	2019
					HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	16,560	25,400	20,056	18,290
Right-of-use assets	15	6,463	29,610	18,976	14,899
Prepayments and deposits	19	26	7,368	9,568	9,568
Total non-current assets		23,049	62,378	48,600	42,757
CURRENT ASSETS					
Contract assets	17	391,716	751,856	1,138,675	1,411,421
Trade receivables	18	366,820	556,828	688,719	384,370
Prepayments, deposits and other receivables	19	13,168	17,948	23,569	31,576
Amount due from an intermediate holding company	32(b)	611,372	56	—	55,000
Tax recoverable		263	2,338	—	—
Pledged deposits	20	—	25,662	25,961	26,054
Cash and cash equivalents	20	74,806	392,066	103,091	109,459
Total current assets		1,458,145	1,746,754	1,980,015	2,017,880
CURRENT LIABILITIES					
Trade and retention payables	21	339,970	744,256	984,869	793,539
Other payables and accruals	22	724,773	721,722	552,115	671,441
Interest-bearing bank borrowings	23	—	—	120,000	210,000
Lease liabilities	24	5,846	14,343	14,549	11,943
Tax payable		7,052	232	5,550	6,772
Total current liabilities		1,077,641	1,480,553	1,677,083	1,693,695
NET CURRENT ASSETS		380,504	266,201	302,932	324,185
TOTAL ASSETS LESS CURRENT LIABILITIES		403,553	328,579	351,532	366,942
NON-CURRENT LIABILITIES					
Provision	22	—	4,000	4,000	4,000
Deferred tax liabilities	25	1,649	1,932	1,163	586
Lease liabilities	24	687	12,545	3,221	2,092
Total non-current liabilities		2,336	18,477	8,384	6,678
Net assets		401,217	310,102	343,148	360,264
EQUITY					
Equity attributable to owners of the parent					
Share capital	26	—	—	17	17
Reserves	27	401,217	310,102	343,131	360,247
Total equity		401,217	310,102	343,148	360,264

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Note	Share capital HK\$'000	Share premium* HK\$'000 (note 27(b))	Merger reserve* HK\$'000 (note 27(c))	Capital reserve* HK\$'000 (note 27(d))	Statutory reserve* HK\$'000	Asset revaluation reserve* HK\$'000	Exchange fluctuation reserve* HK\$'000 (note 27(e))	Retained profits* HK\$'000	Total equity HK\$'000
At 1 January 2016	—	—	169,500	12,071	12	13	(118)	173,752	355,230
Profit for the year	—	—	—	—	—	—	—	45,869	45,869
Other comprehensive income for the year:									
Exchange differences related to a foreign operation	—	—	—	—	—	—	118	—	118
Total comprehensive income for the year	—	—	—	—	—	—	118	45,869	45,987
At 31 December 2016 and 1 January 2017	—	—	169,500	12,071	12	13	—	219,621	401,217
Profit for the year and total comprehensive income for the year	—	—	—	—	—	—	—	58,893	58,893
Interim 2017 dividend	12	—	—	—	—	—	—	(150,008)	(150,008)
At 31 December 2017 and 1 January 2018	—	—	169,500	12,071	12	13	—	128,506	310,102
Acquisition of subsidiaries under common control pursuant to the Reorganisation	17	310,268	(310,285)	—	—	—	—	—	—
Profit for the year and total comprehensive income for the year	—	—	—	—	—	—	—	63,431	63,431
Interim 2018 dividend	12	—	—	—	—	—	—	(30,385)	(30,385)
At 31 December 2018 and 1 January 2019	17	310,268	(140,785)	12,071	12	13	—	161,552	343,148
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	—	17,116	17,116
At 31 March 2019	17	310,268	(140,785)	12,071	12	13	—	178,668	360,264

	Share capital HK\$'000	Share premium* HK\$'000	Merger reserve* HK\$'000	Capital reserve* HK\$'000	Statutory reserve* HK\$'000	Asset revaluation reserve* HK\$'000	Exchange fluctuation reserve* HK\$'000	Retained profits* HK\$'000	Total equity HK\$'000
At 1 January 2018	—	—	169,500	12,071	12	13	—	128,506	310,102
Acquisition of subsidiaries under common control pursuant to the Reorganisation	17	310,268	(310,285)	—	—	—	—	—	—
Profit for the period and total comprehensive income for the period (unaudited)	—	—	—	—	—	—	—	22,300	22,300
At 31 March 2018 (unaudited)	17	310,268	(140,785)	12,071	12	13	—	150,806	332,402

* These reserve accounts comprise the consolidated reserves of HK\$401,217,000, HK\$310,102,000 and HK\$343,131,000 and HK\$360,247,000 in the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively.

(E) CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Three months ended				
		Year ended 31 December			31 March	
		2016	2017	2018	2018	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(Unaudited)</i>	
CASH FLOWS FROM						
OPERATING ACTIVITIES						
Profit before tax		54,697	73,239	77,046	27,129	20,871
Adjustments for:						
Finance costs	8	291	1,178	3,150	202	2,348
Interest income	6	(109)	(824)	(1,484)	(475)	(121)
Loss/(gain) on disposal of items of property, plant and equipment, net	7	(23)	(158)	46	17	(4)
Depreciation of property, plant and equipment	7	5,163	3,944	7,705	1,905	1,810
Depreciation of right-of-use assets	7	9,627	13,179	17,637	4,316	4,077
Impairment losses on trade receivables		—	—	—	—	2,000
Loss on deregistration of a subsidiary	7	44	—	—	—	—
		69,690	90,558	104,100	33,094	30,981
Increase in contract assets		(12,212)	(360,140)	(386,819)	(152,684)	(272,746)
Decrease/(increase) in trade receivables		94,152	(190,008)	(131,891)	74,379	302,349
Increase in prepayments, deposits and other receivables		(2,052)	(12,122)	(7,821)	(2,842)	(8,007)
Decrease/(increase) in an amount due from an intermediate holding company		(209,571)	611,316	56	56	—
Decrease in contract liability		(31,073)	—	—	—	—
Increase/(decrease) in trade and retention payables		6,389	404,286	240,613	(349,179)	(191,330)
Increase/(decrease) in other payables and accruals		33,752	(3,051)	(169,607)	241,376	119,326

APPENDIX I**ACCOUNTANTS' REPORT**

	<i>Notes</i>	Year ended 31 December			Three months ended 31 March	
		2016	2017	2018	2018	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(Unaudited)</i>	
Cash generated from/(used in) operations		(50,925)	540,839	(351,369)	(155,800)	(19,427)
Hong Kong profits tax paid		<u>(8,345)</u>	<u>(22,958)</u>	<u>(6,728)</u>	<u>—</u>	<u>(3,110)</u>
Net cash flows from/(used in) operating activities		<u>(59,270)</u>	<u>517,881</u>	<u>(358,097)</u>	<u>(155,800)</u>	<u>(22,537)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		109	824	1,484	475	121
Increase in an amount due from an intermediate holding company		—	—	—	—	(55,000)
Purchases of items of property, plant and equipment	14	(1,889)	(12,793)	(2,452)	(1,058)	(44)
Proceeds from disposal of items of property, plant and equipment		<u>349</u>	<u>167</u>	<u>45</u>	<u>17</u>	<u>4</u>
Net cash used in investing activities		<u>(1,431)</u>	<u>(11,802)</u>	<u>(923)</u>	<u>(566)</u>	<u>(54,919)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans	28(a)	1,000	230,000	970,000	300,000	400,000
Repayment of bank loans	28(a)	(1,000)	(230,000)	(850,000)	(200,000)	(310,000)
Interest paid		(75)	(691)	(2,513)	(23)	(2,227)
Dividend paid	12	—	(150,008)	(30,385)	—	—
Payment for lease liabilities	28(a)	<u>(10,227)</u>	<u>(12,458)</u>	<u>(16,758)</u>	<u>(4,091)</u>	<u>(3,856)</u>
Net cash flows from/(used in) financing activities		<u>(10,302)</u>	<u>(163,157)</u>	<u>70,344</u>	<u>95,886</u>	<u>83,917</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
		(71,003)	342,922	(288,676)	(60,480)	6,461
Cash and cash equivalents at beginning of year/period		145,754	74,806	417,728	417,728	129,052

APPENDIX I**ACCOUNTANTS' REPORT**

		Year ended 31 December			Three months ended 31 March	
	Note	2016	2017	2018	2018	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	
Effect of foreign exchange rate changes, net		55	—	—	—	—
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		74,806	417,728	129,052	357,248	135,513
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	20	44,806	132,066	103,091	331,527	109,459
Non-pledged time deposits with original maturity of less than three months when acquired	20	30,000	260,000	—	—	—
Cash and cash equivalents as stated in the consolidated statements of financial position		74,806	392,066	103,091	331,527	109,459
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities		—	25,662	25,961	25,721	26,054
Cash and cash equivalents as stated in the consolidated statements of cash flows		74,806	417,728	129,052	357,248	135,513

(F) STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		As at
	Notes	2017	2018	31 March
		HK\$'000	HK\$'000	2019
				HK\$'000
NON-CURRENT ASSET				
Investment in a subsidiary		—*	310,285	310,285
CURRENT ASSET				
Cash at banks		—*	68	67
CURRENT LIABILITIES				
Amount due to subsidiaries		—	7	7
NET CURRENT ASSETS		—*	61	60
TOTAL ASSETS LESS CURRENT LIABILITIES		—*	310,346	310,345
NET ASSETS		—*	310,346	310,345
EQUITY				
Share capital	26	—*	17	17
Reserves	27	—*	310,329	310,328
Total equity		—*	310,346	310,345

* All these items above had amounts of less than a thousand.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit Nos. 3-16, Level 32, Standard Chartered Tower of Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. During the Track Record Period, the subsidiaries now comprising the Group were engaged in the provision of building construction services and repair, maintenance, addition and alteration ("RMAA") works.

CR Construction Investments Limited ("CR Investments"), a company incorporated in the British Virgin Islands (the "BVI") on 26 May 2017, is the immediate holding company of the Company. In the opinion of the Directors, Zhejiang State-owned Capital Operation Company Limited, a company established in the People's Republic of China (the "PRC"), is the ultimate holding company of the Company.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Group Structure" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at 31 March 2019, the Company had direct interest in its subsidiary, CR Construction Development Limited and had indirect interests in its other subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CR Construction Development Limited (note (a))	BVI	US\$1	100	—	Investment holding
CR Construction Company Limited ("CRC") (note (b))	Hong Kong	HK\$169,500,000	—	100	Building construction services and investment holding
Mount Land Limited (note (b))	Hong Kong	HK\$52	—	100	Building construction services and investment holding
CR Construction (Building) Company Limited (note (a))	Macau	MOP25,000	—	100	Building construction

Notes:

- (a) No statutory financial statements have been prepared for these entities since their incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.
- (b) The statutory financial statements of these entities for the years ended 31 December 2016, 2017 and 2018 prepared under HKFRSs were audited by Ernst & Young.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Group Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 9 February 2018. As the Reorganisation only involved the insertion of new holding companies at the top of an existing holding company and has not resulted in any change of economic substance, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

Accordingly, no adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been consistently applied by the Group in the preparation of the Historical Financial Information throughout the Track Record Period and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention and are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 3	<i>Definition of a Business</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

The adoption of the other new and revised HKFRSs is not expected to have a significant financial effect on the financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the

acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interests in joint operations:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular asset, liability, revenue and expenses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred.

In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Plant and machinery	10% to 20%
Furniture and fixtures	10% to 20%
Computers and software	20%
Motor vehicles	33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- (a) the contract involves the use of an identified asset — this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- (b) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (c) the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - (i) the Group has the right to operate the asset; or
 - (ii) the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of leasehold improvement. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments, including in-substance fixed payments;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable under a residual value guarantee; and
- (d) the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and retention payables, financial liabilities included in other payables and accruals, lease liabilities and interest-bearing bank borrowings.

Subsequent measurement***Loans and borrowings***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in “Impairment of financial assets”; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets or liabilities during the Track Record Period.

Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified and the cash flows of the modified liability are substantially different, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability. The difference between the respective carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECL”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Other financial assets are assessed for impairment based on 12-month expected credit losses: 12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the end of each of the Track Record Period (or a shorter period if the expected life of the asset is less than 12 months).

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue from construction contracts and RMAA revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contracts and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- (i) provides all of the benefits received and consumed simultaneously by the customer; or
- (ii) creates and enhances an asset that the customer controls as the Group performs; or
- (iii) do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on direct measurements of the value of individual services transferred by the Group to the customer, such as surveys of work performed, or contract milestones.

Revenue from RMAA under term contracts are recognised over time, and progress is measured towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Given that a repair and maintenance service order is generally completed within a short period of time, the revenue from the provision of the RMAA under term contracts are recognised when the services have been rendered.

For construction contracts and other RMAA services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced and thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the work certified incurred up to the end of the reporting period as a percentage of total contract value for each contract.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance and a defined contribution retirement scheme (the "ORSO Scheme") under the Occupational Retirement Schemes Ordinance for those employees who are eligible to participate in the schemes.

Under the MPF Scheme, contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The ORSO Scheme operates in a similar way to the MPF Scheme, except that when an employee left the ORSO Scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group will be reduced by the relevant amount of the forfeited employer contributions.

The assets of the MPF Scheme and ORSO Scheme are held separately from those of the Group in independently administered funds.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use of sale, are capitalised as part of the cost for those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Borrowing costs directly attributable to activity of a construction contract are included as part of the contract costs.

All other borrowing costs are expensed in the period in which they are incurred.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rate prevailing at the end of the reporting period and their statements of profit or loss is translated into Hong Kong dollars at the weighted average exchange rate for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rate for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information.

Joint operations

The Group has numerous joint arrangements with third parties for construction works in Hong Kong and under which decisions about the relevant activities of such arrangements require the unanimous consent of all parties to the arrangements. For accounting purposes, the Group's management assessed whether such arrangements are joint operations or joint ventures under HKFRS 11. After considering the rights and obligations of parties to the joint arrangements with reference to the structure, the legal form of the arrangements, the contractual terms agreed by the parties in the arrangements, and the relevant facts and circumstances, the Group's management concluded that all of the Group's joint arrangements for construction works should be classified as joint operations under HKFRS 11 as the relevant legal form of the arrangements are unincorporated joint ventures and the relevant contractual agreements for these joint arrangements specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements.

Revenue from contracts with customers

The Group has applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) Determining the progress of the construction contracts

The Group recognises revenue based on direct measurements of the value of units delivered or surveys of work performed which reflect the progress towards complete satisfaction of the performance obligation. The customers will provide a final statement when the whole project is completed and may have adjustments on accumulated confirmation according to the actual engineering quantity till the day of completion. In addition, when determining the transaction price, the Group considers factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for finance purposes. The Group has, therefore, recognised revenue on progress confirmation over the period during which the service is rendered and transferred to customers.

(ii) Determining the method to estimate variable consideration and assessing the constraint for construction services

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract, which give rise to variable consideration. The Group has determined that the expected value method is the appropriate method to use in estimating the variable consideration for claims in construction services, given there is a wide range of possible outcomes which are subject to negotiations with third parties.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, current negotiations with customers, profitability of the head contracts of the customers and the current economic conditions.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of

future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 18 and 17 to the Historical Financial Information, respectively.

Variable considerations for claims to customers

The Group estimates variable considerations for claims to be included in the transaction price for the provision of construction services.

The Group has developed a statistical model for estimating expected successful claims. The model uses the historical claims data including the historical experiences with the same customer, profitability of the head contracts of the customers and economic conditions to estimate expected successful claims percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical successful claims pattern will impact the expected successful claims percentages estimated by the Group.

The Group updates its assessment of expected successful claims every two months. Estimates of expected successful claims are sensitive to changes in circumstances and the Group's past experience regarding negotiation of claims may not be representative of the actual outcome in the future.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the building construction segment of which the Group engages in contract work as a main contractor or subcontractor, primarily in respect of building construction, repair, maintenance and addition and alteration works. Accordingly, no segment information is presented.

Geographical information

(a) *Revenue from external customers*

No geographical information is presented as over 90% of the Group's revenue from external customers was derived from customers located in Hong Kong during the Track Record Period.

(b) *Non-current assets*

No geographical information is presented as over 90% of the Group's non-current assets were located in Hong Kong as at 31 December 2016, 2017 and 2018 and 31 March 2019.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for each reporting period during the Track Record Period, is set out below:

	Year ended 31 December			Three months ended	
	2016	2017	2018	31 March 2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Customer F	749,392	N/A*	N/A*	N/A*	N/A*
Customer I	354,599	N/A*	N/A*	N/A*	N/A*
Customer K	N/A*	593,404	N/A*	114,801	N/A*
Customer L	N/A*	552,433	N/A*	N/A*	114,022
Customer O	N/A*	N/A*	N/A*	133,470	N/A*
Customer U	N/A*	N/A*	988,361	147,858	255,210
Customer V	N/A*	N/A*	860,729	N/A*	489,965
Customer W	N/A*	N/A*	606,044	192,435	N/A*

* Nil or less than 10% of the Group's revenue

Information about products and services

	Year ended 31 December			Three months ended	
	31 December			31 March	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Revenue from external customers:					
Contract work for building					
construction	2,212,888	2,880,755	4,667,860	1,060,790	1,073,773
Contract work for RMAA	364,510	260,635	146,000	42,182	41,250
	<u>2,577,398</u>	<u>3,141,390</u>	<u>4,813,860</u>	<u>1,102,972</u>	<u>1,115,023</u>

Information about customer sectors

	Year ended 31 December			Three months ended	
	31 December			31 March	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Revenue from external customers:					
Private sector	1,812,136	2,669,185	4,366,372	965,139	1,044,772
Public sector	765,262	472,205	447,488	137,833	70,251
	<u>2,577,398</u>	<u>3,141,390</u>	<u>4,813,860</u>	<u>1,102,972</u>	<u>1,115,023</u>

6. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Year ended 31 December			Three months ended	
	31 December			31 March	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Revenue from contracts with					
customers					
Building construction	2,212,888	2,880,755	4,667,860	1,060,790	1,073,773
RMAA	364,510	260,635	146,000	42,182	41,250
	<u>2,577,398</u>	<u>3,141,390</u>	<u>4,813,860</u>	<u>1,102,972</u>	<u>1,115,023</u>

Revenue from contracts with customers**(i) Disaggregated revenue information**

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Timing of revenue recognition					
Services transferred over time	<u>2,577,398</u>	<u>3,141,390</u>	<u>4,813,860</u>	<u>1,102,972</u>	<u>1,115,023</u>

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Construction services and other RMAA services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 14 to 45 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The construction period varies from one to four years. The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) during the Track Record Period are as follows:

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Expected to be recognised within one year	2,548,017	4,478,982	4,536,371	4,512,697	4,808,582
Expected to be recognised after one year	<u>2,838,002</u>	<u>2,016,653</u>	<u>2,796,344</u>	<u>4,153,293</u>	<u>2,450,637</u>
	<u>5,386,019</u>	<u>6,495,635</u>	<u>7,332,715</u>	<u>8,665,990</u>	<u>7,259,219</u>

RMAA under term contracts

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of RMAA services. The Group has elected the practical expedient of not to disclose the remaining performance obligations for this type of contracts.

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Other income					
Interest income	109	824	1,484	475	121
Others	243	297	293	18	253
	<u>352</u>	<u>1,121</u>	<u>1,777</u>	<u>493</u>	<u>374</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	Year ended 31 December			Three months ended 31 March	
		2016	2017	2018	2018	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(Unaudited)</i>	
Contract costs		2,456,929	2,975,430	4,628,400	1,050,959	1,061,716
Depreciation of property, plant and equipment	14	5,163	3,944	7,705	1,905	1,810
Less: Amount included in cost of construction		<u>(2,042)</u>	<u>(2,062)</u>	<u>(1,941)</u>	<u>(515)</u>	<u>(426)</u>
		<u>3,121</u>	<u>1,882</u>	<u>5,764</u>	<u>1,390</u>	<u>1,384</u>
Depreciation of right-of-use assets	15	9,627	13,179	17,637	4,316	4,077
Less: Amount included in cost of construction		<u>(4,874)</u>	<u>(7,223)</u>	<u>(5,565)</u>	<u>(1,417)</u>	<u>(1,017)</u>
		<u>4,753</u>	<u>5,956</u>	<u>12,072</u>	<u>2,899</u>	<u>3,060</u>

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	Year ended 31 December			Three months ended	
	2016	2017	2018	31 March 2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Short-term lease expenses	12,801	33,374	49,499	6,763	5,968
Less: Amount included in cost of construction	<u>(12,801)</u>	<u>(33,279)</u>	<u>(49,482)</u>	<u>(6,751)</u>	<u>(5,954)</u>
	<u>—</u>	<u>95</u>	<u>17</u>	<u>12</u>	<u>14</u>
Employee benefit expense (including directors' remuneration (note 9)):					
Salaries, allowances and benefits in kind	179,813	274,886	334,228	87,819	92,096
Pension scheme contributions	<u>6,429</u>	<u>9,468</u>	<u>13,543</u>	<u>2,923</u>	<u>3,297</u>
	186,242	284,354	347,771	90,742	95,393
Less: Amount included in cost of construction	<u>(140,507)</u>	<u>(226,785)</u>	<u>(280,261)</u>	<u>(74,490)</u>	<u>(75,789)</u>
	<u>45,735</u>	<u>57,569</u>	<u>67,510</u>	<u>16,252</u>	<u>19,604</u>
Auditor's remuneration	520	500	514	114	106
Listing expenses	—	9,334	5,457	595	1,490
Impairment losses on trade receivables	—	—	—	—	2,000
Foreign exchange differences, net*	83	(1)	—	—	—
Loss/(gain) on disposal of items of property, plant and equipment, net*	(23)	(158)	46	17	(4)
Loss on deregistration of a subsidiary*	<u>44</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

* These items are included in "Other gain/(loss), net" on the face of the consolidated statements of profit or loss.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Interest on bank loans	75	691	2,513	23	2,227
Interest on lease liabilities	216	487	637	179	121
	<u>291</u>	<u>1,178</u>	<u>3,150</u>	<u>202</u>	<u>2,348</u>

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors or independent non-executive directors at any time during the year ended 31 December 2016 since the Company was only incorporated on 20 July 2017.

During the year ended 31 December 2017, Mr. Guan Manyu was appointed as the chairman and an executive director of the Company on 5 September 2017, Mr. Li Kar Yin, Ms. Chu Ping, Mr. Law Ming Kin and Mr. Chan Tak Yiu were appointed as executive directors of the Company on 5 September 2017 and Mr. Yang Haojiang was appointed as a non-executive director of the Company on 5 September 2017. Mr. Ho Man Yiu Ivan, Mr. Li Ka Fai David and Mr. Tse Wai Chun Paul were appointed as independent non-executive directors of the Company on 17 September 2019.

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Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors or officers of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December			Three months ended	
	2016	2017	2018	31 March 2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	3,728	6,907	7,945	2,479	2,576
Performance related bonuses	450	2,180	2,858	715	722
Pension scheme contributions	173	394	412	103	105
	4,351	9,481	11,215	3,297	3,403
	4,351	9,481	11,215	3,297	3,403

		Salaries, allowances and benefits		Performance related bonuses	Pension scheme contributions	Total
		Fees	in kind			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2016						
Executive directors:						
Mr. Guan Manyu		—	—	—	—	—
Mr. Li Kar Yin		—	2,191	—	101	2,292
Ms. Chu Ping		—	—	—	—	—
Mr. Law Ming Kin	(i)	—	759	230	36	1,025
Mr. Chan Tak Yiu	(i)	—	778	220	36	1,034
		—	3,728	450	173	4,351

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2017					
Executive directors:					
Mr. Guan Manyu	—	320	340	—	660
Mr. Li Kar Yin	—	2,636	700	229	3,565
Ms. Chu Ping	—	302	240	9	551
Mr. Law Ming Kin	—	1,838	450	78	2,366
Mr. Chan Tak Yiu	—	1,811	450	78	2,339
	—	6,907	2,180	394	9,481
Non-executive director:					
Mr. Yang Haojiang	—	—	—	—	—
	—	6,907	2,180	394	9,481

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2018					
Executive directors:					
Mr. Guan Manyu	—	575	678	—	1,253
Mr. Li Kar Yin	—	2,786	1,060	238	4,084
Ms. Chu Ping	—	604	242	18	864
Mr. Law Ming Kin	—	2,028	439	78	2,545
Mr. Chan Tak Yiu	—	1,952	439	78	2,469
	—	7,945	2,858	412	11,215
Non-executive director:					
Mr. Yang Haojiang	—	—	—	—	—
	—	7,945	2,858	412	11,215

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	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Three months ended 31 March 2019					
Executive directors:					
Mr. Guan Manyu	—	103	40	—	143
Mr. Li Kar Yin	—	943	265	60	1,268
Ms. Chu Ping	—	181	59	5	245
Mr. Law Ming Kin	—	707	179	20	906
Mr. Chan Tak Yiu	—	642	179	20	841
	—	2,576	722	105	3,403
Non-executive director:					
Mr. Yang Haojiang	—	—	—	—	—
	—	2,576	722	105	3,403

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Three months ended 31 March 2018 (Unaudited)					
Executive directors:					
Mr. Guan Manyu	—	195	170	—	365
Mr. Li Kar Yin	—	876	265	58	1,199
Ms. Chu Ping	—	177	60	5	242
Mr. Law Ming Kin	—	633	110	20	763
Mr. Chan Tak Yiu	—	598	110	20	728
	—	2,479	715	103	3,297
Non-executive director:					
Mr. Yang Haojiang	—	—	—	—	—
	—	2,479	715	103	3,297

Note:

- (i) Mr. Law Ming Kin and Mr. Chan Tak Yiu were appointed as directors on 18 July 2016.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

During the Track Record Period, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019 included three, three, three and three directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining non-director, highest paid employees for the Track Record Period are as follows:

	Year ended 31 December			Three months ended	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note)			(Unaudited)	
Salaries, allowances and benefits in kind	3,460	2,350	3,387	912	1,013
Performance related bonuses	693	265	738	184	305
Pension scheme contributions	<u>729</u>	<u>27</u>	<u>36</u>	<u>9</u>	<u>9</u>
	<u>4,882</u>	<u>2,642</u>	<u>4,161</u>	<u>1,105</u>	<u>1,327</u>

Note:

Included the remuneration of Mr. Law Ming Kin and Mr. Chan Tak Yiu before their appointment as directors on 18 July 2016. Their remuneration since their appointment as directors was set out in note 9 to the Historical Financial Information.

The number of the non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Three months ended	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note)			(Unaudited)	
Nil to HK\$1,000,000	—	—	—	2	2
HK\$1,000,001 to HK\$1,500,000	4	1	—	—	—
HK\$1,500,001 to HK\$2,000,000	—	1	—	—	—
HK\$2,000,001 to HK\$2,500,000	—	—	2	—	—
	<u>4</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

Note:

Included the remuneration of Mr. Law Ming Kin and Mr. Chan Tak Yiu before their appointment as directors on 18 July 2016.

During the Track Record Period, no emoluments were paid by the Group to any of the non-director, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. For the year ended 31 December 2018 and three months ended 31 March 2019, Hong Kong profits tax has been provided at the rate of 8.25% on the first HK\$2,000,000 of the estimated assessable profits of one of the subsidiaries of the Company and 16.5% on the remaining estimated assessable profits above HK\$2,000,000 arising in Hong Kong. For the years ended 31 December 2016 and 2017, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

	Year ended 31 December			Three months ended	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Current — Hong Kong					
Charge for the year/period	9,353	13,678	14,542	4,986	4,332
Underprovision/(overprovision)					
in prior years/periods	(48)	381	(158)	—	—
Current — Macau					
Underprovision in prior					
years/periods	—	4	—	—	—
Deferred (note 25)	(477)	283	(769)	(157)	(577)
Total tax charge for the year/ period	<u>8,828</u>	<u>14,346</u>	<u>13,615</u>	<u>4,829</u>	<u>3,755</u>

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A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax charge at the effective tax rate is as follows:

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>				
Profit before tax	<u>54,697</u>	<u>73,239</u>	<u>77,046</u>	<u>27,129</u>	<u>20,871</u>
Tax at the statutory tax rates of different jurisdictions	9,025	12,084	12,713	4,476	3,444
Adjustments in respect of current tax of previous years/periods	(48)	385	(158)	—	—
Income not subject to tax	(186)	(132)	(196)	(69)	(5)
Expenses not deductible for tax	60	1,821	1,335	284	312
Tax losses not recognised	36	41	73	13	40
Others	<u>(59)</u>	<u>147</u>	<u>(152)</u>	<u>125</u>	<u>(36)</u>
Tax charge at the Group's effective tax rate (Year ended 31 December — 2016: 16.1%; 2017: 19.6%; 2018: 17.7% and the three months ended 31 March — 2018: 17.8%; 2019: 18.0%)	<u>8,828</u>	<u>14,346</u>	<u>13,615</u>	<u>4,829</u>	<u>3,755</u>

12. DIVIDENDS

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim (2016: Nil, 2017: HK\$88.5, 2018: HK\$17.9, 2019: Nil) per ordinary share	<u>—</u>	<u>150,008</u>	<u>30,385</u>	<u>—</u>	<u>—</u>

Note: Prior to the incorporation of the Company, interim dividends have been declared/paid by the Company's subsidiaries to the then shareholders.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and machinery	Furniture and fixtures	Computers and software	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31 March 2019						
At 31 December 2018 and 1 January 2019:						
Cost	11,513	18,490	5,639	8,137	4,058	47,837
Accumulated depreciation	<u>(7,757)</u>	<u>(10,101)</u>	<u>(1,991)</u>	<u>(5,103)</u>	<u>(2,829)</u>	<u>(27,781)</u>
Net carrying amount	<u>3,756</u>	<u>8,389</u>	<u>3,648</u>	<u>3,034</u>	<u>1,229</u>	<u>20,056</u>
At 1 January 2019, net of accumulated depreciation	3,756	8,389	3,648	3,034	1,229	20,056
Additions	—	—	—	44	—	44
Depreciation provided during the period (note 7)	<u>(836)</u>	<u>(372)</u>	<u>(141)</u>	<u>(274)</u>	<u>(187)</u>	<u>(1,810)</u>
At 31 March 2019, net of accumulated depreciation	<u>2,920</u>	<u>8,017</u>	<u>3,507</u>	<u>2,804</u>	<u>1,042</u>	<u>18,290</u>
At 31 March 2019:						
Cost	11,513	18,477	5,639	8,181	4,058	47,868
Accumulated depreciation	<u>(8,593)</u>	<u>(10,460)</u>	<u>(2,132)</u>	<u>(5,377)</u>	<u>(3,016)</u>	<u>(29,578)</u>
Net carrying amount	<u>2,920</u>	<u>8,017</u>	<u>3,507</u>	<u>2,804</u>	<u>1,042</u>	<u>18,290</u>
31 December 2018						
At 31 December 2017 and 1 January 2018:						
Cost	11,365	18,528	4,781	7,050	3,887	45,611
Accumulated depreciation	<u>(4,291)</u>	<u>(8,441)</u>	<u>(1,469)</u>	<u>(3,975)</u>	<u>(2,035)</u>	<u>(20,211)</u>
Net carrying amount	<u>7,074</u>	<u>10,087</u>	<u>3,312</u>	<u>3,075</u>	<u>1,852</u>	<u>25,400</u>

APPENDIX I**ACCOUNTANTS' REPORT**

	Leasehold improvements	Plant and machinery	Furniture and fixtures	Computers and software	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2018, net of accumulated depreciation	7,074	10,087	3,312	3,075	1,852	25,400
Additions	148	—	895	1,087	322	2,452
Disposal	—	—	(21)	—	(70)	(91)
Depreciation provided during the year (note 7)	<u>(3,466)</u>	<u>(1,698)</u>	<u>(538)</u>	<u>(1,128)</u>	<u>(875)</u>	<u>(7,705)</u>
At 31 December 2018, net of accumulated depreciation	<u>3,756</u>	<u>8,389</u>	<u>3,648</u>	<u>3,034</u>	<u>1,229</u>	<u>20,056</u>
At 31 December 2018:						
Cost	11,513	18,490	5,639	8,137	4,058	47,837
Accumulated depreciation	<u>(7,757)</u>	<u>(10,101)</u>	<u>(1,991)</u>	<u>(5,103)</u>	<u>(2,829)</u>	<u>(27,781)</u>
Net carrying amount	<u>3,756</u>	<u>8,389</u>	<u>3,648</u>	<u>3,034</u>	<u>1,229</u>	<u>20,056</u>
31 December 2017						
At 31 December 2016 and 1 January 2017:						
Cost	4,292	18,016	3,355	5,208	2,645	33,516
Accumulated depreciation	<u>(4,114)</u>	<u>(6,885)</u>	<u>(1,152)</u>	<u>(3,027)</u>	<u>(1,778)</u>	<u>(16,956)</u>
Net carrying amount	<u>178</u>	<u>11,131</u>	<u>2,203</u>	<u>2,181</u>	<u>867</u>	<u>16,560</u>
At 1 January 2017, net of accumulated depreciation	178	11,131	2,203	2,181	867	16,560
Additions	7,073	807	1,426	1,853	1,634	12,793
Disposal	—	—	—	(9)	—	(9)
Depreciation provided during the year (note 7)	<u>(177)</u>	<u>(1,851)</u>	<u>(317)</u>	<u>(950)</u>	<u>(649)</u>	<u>(3,944)</u>
At 31 December 2017, net of accumulated depreciation	<u>7,074</u>	<u>10,087</u>	<u>3,312</u>	<u>3,075</u>	<u>1,852</u>	<u>25,400</u>
At 31 December 2017:						
Cost	11,365	18,528	4,781	7,050	3,887	45,611
Accumulated depreciation	<u>(4,291)</u>	<u>(8,441)</u>	<u>(1,469)</u>	<u>(3,975)</u>	<u>(2,035)</u>	<u>(20,211)</u>
Net carrying amount	<u>7,074</u>	<u>10,087</u>	<u>3,312</u>	<u>3,075</u>	<u>1,852</u>	<u>25,400</u>

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computers and software <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2016						
At 31 December 2015 and 1 January 2016:						
Cost	4,076	18,447	3,124	4,362	3,789	33,798
Accumulated depreciation	<u>(2,505)</u>	<u>(5,306)</u>	<u>(817)</u>	<u>(2,374)</u>	<u>(2,636)</u>	<u>(13,638)</u>
Net carrying amount	<u>1,571</u>	<u>13,141</u>	<u>2,307</u>	<u>1,988</u>	<u>1,153</u>	<u>20,160</u>
At 1 January 2016, net of accumulated depreciation	1,571	13,141	2,307	1,988	1,153	20,160
Additions	216	—	231	846	596	1,889
Disposals	—	(32)	—	—	(294)	(326)
Depreciation provided during the year (note 7)	<u>(1,609)</u>	<u>(1,978)</u>	<u>(335)</u>	<u>(653)</u>	<u>(588)</u>	<u>(5,163)</u>
At 31 December 2016, net of accumulated depreciation	<u>178</u>	<u>11,131</u>	<u>2,203</u>	<u>2,181</u>	<u>867</u>	<u>16,560</u>
At 31 December 2016:						
Cost	4,292	18,016	3,355	5,208	2,645	33,516
Accumulated depreciation	<u>(4,114)</u>	<u>(6,885)</u>	<u>(1,152)</u>	<u>(3,027)</u>	<u>(1,778)</u>	<u>(16,956)</u>
Net carrying amount	<u>178</u>	<u>11,131</u>	<u>2,203</u>	<u>2,181</u>	<u>867</u>	<u>16,560</u>

15. RIGHT-OF-USE ASSETS

	Land and buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2016	7,180	784	7,964
Additions	1,104	7,022	8,126
Depreciation charged to the consolidated statement of profit or loss during the year	<u>(6,143)</u>	<u>(3,484)</u>	<u>(9,627)</u>
At 31 December 2016 and 1 January 2017	2,141	4,322	6,463
Additions	31,507	4,819	36,326
Depreciation charged to the consolidated statement of profit or loss during the year	<u>(7,568)</u>	<u>(5,611)</u>	<u>(13,179)</u>
At 31 December 2017 and 1 January 2018	26,080	3,530	29,610
Additions	3,301	3,702	7,003
Depreciation charged to the consolidated statement of profit or loss during the year	<u>(13,026)</u>	<u>(4,611)</u>	<u>(17,637)</u>
At 31 December 2018 and 1 January 2019	16,355	2,621	18,976
Depreciation charged to the consolidated statement of profit or loss during the period	<u>(3,337)</u>	<u>(740)</u>	<u>(4,077)</u>
At 31 March 2019	<u>13,018</u>	<u>1,881</u>	<u>14,899</u>

The Group obtains the right to control the use of various land and buildings and plant and machinery for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from one to five years.

16. PARTICULARS OF PRINCIPAL JOINT OPERATIONS

Particulars of the Group's material joint arrangement is as follows:

Name of joint operation	Form of business structure	Place of registration and business	Percentage of interest attributable to the Group				Principal activity
			as at 31 December			as at 31 March	
			2016	2017	2018	2019	
China State — CR Construction Joint Venture	Unincorporated	Hong Kong	50	50	50	50	Building construction

The Group's attributable interest is equal to, greater or less than 50% in these entities. However, under the joint venture agreements, the joint operators have contractually agreed to the sharing of control over the relevant activities of these entities, and hence all these entities are jointly controlled by the Group and the other joint operators. Furthermore, the relevant joint venture agreements specify that the Group and the other parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements in accordance with the attributable interest of the Group as disclosed above and the interest attributable to the other joint operators respectively, and therefore these entities are classified as joint operations.

All principal joint operations engaged in construction work are contracted to carry out building construction work in Hong Kong. These joint operations are strategic to the Group's principal activities in construction work.

17. CONTRACT ASSETS

	Notes	As at 31 December			As at 31 March
		2016	2017	2018	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contract assets arising from construction services	(a)	136,576	357,286	640,073	910,606
Retention receivables	(b)	255,140	394,570	498,602	500,815
		<u>391,716</u>	<u>751,856</u>	<u>1,138,675</u>	<u>1,411,421</u>

Notes:

- (a) Contract assets consist of the Group's rights to consideration for works completed but unbilled amounts resulting from construction contracts and RMAA. The contract assets are transferred to trade receivables when the rights become unconditional which was generally one to three months. The increase in contract assets throughout the Track Record Period was the result of the increase in the provision of construction services.

The expected timing of recovery or settlement for contract assets as at the end of the reporting period is as follows:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	<u>136,576</u>	<u>357,286</u>	<u>640,073</u>	<u>910,606</u>

- (b) Retention receivables held by contract customers arising from the Group's construction work and certain RMAA work are settled within a period ranging from one year to two years after the completion of the construction work and acceptance by customers, as stipulated in the construction contracts.

The due date for settlement of the Group's retention receivables as at the end of the reporting period is analysed as follows:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due within one year	54,571	226,508	271,534	248,017
Due after one year	<u>200,569</u>	<u>168,062</u>	<u>227,068</u>	<u>252,798</u>
	<u>255,140</u>	<u>394,570</u>	<u>498,602</u>	<u>500,815</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The expected credit loss rate for the Group's contract assets is minimal.

18. TRADE RECEIVABLES

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	366,820	556,828	688,719	386,370
Impairment	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,000)</u>
	<u>366,820</u>	<u>556,828</u>	<u>688,719</u>	<u>384,370</u>

The Group's credit periods with customers range from 14 to 45 days. The Group seeks to maintain strict control over its outstanding receivables and has a policy to manage its risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each reporting period during the Track Record Period, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month	329,509	469,070	597,891	301,697
1 to 2 months	26,842	42,079	44,566	38,479
2 to 3 months	—	267	13,074	14,016
Over 3 months	10,469	45,412	33,188	30,178
	<u>366,820</u>	<u>556,828</u>	<u>688,719</u>	<u>384,370</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	HK\$'000
At 1 January 2016, 31 December 2016, 1 January 2017, 31 December 2017, 1 January 2018, 31 December 2018 and 1 January 2019	—
Impairment losses (note 7)	<u>2,000</u>
At 31 March 2019	<u>2,000</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 March 2019	Current	Past due			Total
		Less than 1 month	1 to 3 months	Over 3 months	
Expected credit loss rate	0.06%	0.07%	1.79%	4.52%	0.52%
Gross carrying amount (HK\$'000)	266,469	66,947	21,978	30,976	386,370
Expected credit losses (HK\$'000)	160	45	393	1,402	2,000

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9 which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit loss rate for the Group's trade receivables is minimal for all ageing bands by due dates of trade receivables for the years ended 31 December 2016, 2017 and 2018.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at
	2016	2017	2018	31 March 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments	1,175	9,457	13,530	16,530
Deposits and other receivables	12,019	15,859	19,607	24,614
	13,194	25,316	33,137	41,144
Less: Non-current prepayments and deposits	(26)	(7,368)	(9,568)	(9,568)
	13,168	17,948	23,569	31,576

Deposits and other receivables mainly represent rental deposits and insurance claims receivables. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The expected credit loss rate for the Group's financial assets included in prepayments, deposits and other receivables is minimal.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	44,806	132,066	103,091	109,459
Time deposits	<u>30,000</u>	<u>285,662</u>	<u>25,961</u>	<u>26,054</u>
	74,806	417,728	129,052	135,513
Less: Pledged time deposits for banking facilities	<u>—</u>	<u>(25,662)</u>	<u>(25,961)</u>	<u>(26,054)</u>
Cash and cash equivalents	<u>74,806</u>	<u>392,066</u>	<u>103,091</u>	<u>109,459</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE AND RETENTION PAYABLES

		As at 31 December			As at 31 March
	<i>Notes</i>	2016	2017	2018	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	(a)	145,904	487,581	621,820	423,695
Retention payables	(b)	<u>194,066</u>	<u>256,675</u>	<u>363,049</u>	<u>369,844</u>
		<u>339,970</u>	<u>744,256</u>	<u>984,869</u>	<u>793,539</u>

Notes:

- (a) An ageing analysis of the trade payables, based on the invoice date, at the end of each reporting period during the Track Record Period, is as follows:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month	66,408	368,622	379,025	347,203
1 to 2 months	58,893	66,190	116,160	59,897
2 to 3 months	16,772	35,165	117,256	10,193
Over 3 months	3,831	17,604	9,379	6,402
	<u>145,904</u>	<u>487,581</u>	<u>621,820</u>	<u>423,695</u>

The trade payables are non-interest-bearing and are normally settled within one month.

- (b) Retention payables held by the Group arose from the Group's construction works and RMAA works are normally settled to subcontractors within a period ranging from one year to two years after the completion of the contract work by the subcontractors, as stipulated in the subcontracting contracts.

22. OTHER PAYABLES AND ACCRUALS AND PROVISION FOR REINSTATEMENT

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables	7,312	9,863	12,682	12,689
Accruals	717,461	711,859	539,433	658,752
Provision for reinstatement (note)	<u>—</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
	724,773	725,722	556,115	675,441
Non-current portion	<u>—</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>
Current portion	<u>724,773</u>	<u>721,722</u>	<u>552,115</u>	<u>671,441</u>

Other payables are non-interest-bearing and there are generally no credit terms.

Note:

The movement in the provision for reinstatement during the Track Record Period is as follows:

	Provision for reinstatement HK\$'000
At 1 January 2016, 31 December 2016 and 1 January 2017	—
Addition during the year (note 28(b))	<u>4,000</u>
At 31 December 2017, 1 January 2018, 31 December 2018, 1 January 2019 and 31 March 2019	<u>4,000</u>

Pursuant to the terms of the respective tenancy agreements entered into by the Group, the Group is required to return its leased properties to the conditions as stipulated in the tenancy agreements at the expiration of the corresponding lease term as appropriate. The provision for reinstatement costs was estimated based on certain assumptions and estimates made by the Group's management with reference to quoted prices and/or other available information. The assumptions and estimates are reviewed on an ongoing basis and revised as appropriate.

23. INTEREST-BEARING BANK BORROWINGS

	As at 31 December						As at 31 March					
	2016			2017			2018			2019		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current												
Bank loans — secured			—			—	4.1% -4.6%	On demand	120,000	3.6%-5.0%	On demand	210,000

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Analysed into:				
Bank loans repayable:				
On demand	—	—	120,000	210,000

Notes:

(a) All of the Group's bank loans are secured by:

- (i) corporate guarantee given by the intermediate holding company which will be uplifted upon listing; and
- (ii) letters of comfort given by the intermediate holding company.

(b) All borrowings were in Hong Kong dollars.

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the bank loans, the amounts repayable in respect of the Group's interest-bearing bank loans are analysed as follows:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Analysed into:				
Bank loans repayable:				
Within one year	—	—	120,000	210,000

24. LEASE LIABILITIES

The Group leases various land and buildings and plant and machinery for a period of time through lease arrangements with remaining lease terms ranging from one to five years. These liabilities were measured at the net present value of the lease payments during the lease terms that are not yet paid.

At 31 December 2016, 2017 and 2018 and 31 March 2019, the total future minimum lease liabilities under lease arrangements and their present values were as follows:

	Minimum lease payments			
	As at 31 December			As at
	2016	2017	2018	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2019</i> <i>HK\$'000</i>
Amounts payable:				
Within one year	5,920	14,897	14,860	12,152
In the second to fifth years, inclusive	<u>692</u>	<u>12,795</u>	<u>3,301</u>	<u>2,153</u>
Total minimum lease payments	6,612	27,692	18,161	14,305
Future interest expense	<u>(79)</u>	<u>(804)</u>	<u>(391)</u>	<u>(270)</u>
Total net lease liabilities	<u><u>6,533</u></u>	<u><u>26,888</u></u>	<u><u>17,770</u></u>	<u><u>14,035</u></u>
Present value of minimum lease payments				
	As at 31 December			As at
	2016	2017	2018	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2019 <i>HK\$'000</i>
Amounts payable:				
Within one year	5,846	14,343	14,549	11,943
In the second to fifth years, inclusive	<u>687</u>	<u>12,545</u>	<u>3,221</u>	<u>2,092</u>
Total net lease liabilities	<u><u>6,533</u></u>	<u><u>26,888</u></u>	<u><u>17,770</u></u>	<u><u>14,035</u></u>

25. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the Track Record Period are as follows:

	Provision <i>HK\$'000</i>	Depreciation allowance in excess of related depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2016	—	2,126	2,126
Deferred tax credited to the consolidated statement of profit or loss during the year (note 11)	<u>—</u>	<u>(477)</u>	<u>(477)</u>
At 31 December 2016 and 1 January 2017	—	1,649	1,649
Deferred tax charged to the consolidated statement of profit or loss during the year (note 11)	<u>—</u>	<u>283</u>	<u>283</u>
At 31 December 2017 and 1 January 2018	—	1,932	1,932
Deferred tax credited to the consolidated statement of profit or loss during the year (note 11)	<u>—</u>	<u>(769)</u>	<u>(769)</u>
At 31 December 2018 and 1 January 2019	—	1,163	1,163
Deferred tax credited to the consolidated statement of profit or loss during the period (note 11)	<u>(330)</u>	<u>(247)</u>	<u>(577)</u>
At 31 March 2019	<u><u>(330)</u></u>	<u><u>916</u></u>	<u><u>586</u></u>

There are no income tax consequences attached to the payment of dividends by the Company to its shareholders.

26. SHARE CAPITAL

	As at 31 December		As at
	2017	2018	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Issued and fully paid:			
1,696,000 (2017: 1,000; 2018: 1,696,000)			
ordinary share	<u>—*</u>	<u>17</u>	<u>17</u>

* The item above had an amount less than a thousand.

The Company was incorporated on 20 July 2017 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each. On the date of incorporation, 1,000 ordinary shares of HK\$0.01 were allotted and issued by the Company.

On 9 February 2018, 1,695,000 ordinary shares of HK\$0.01 were further allotted and issued by the Company.

There was no authorised and issued capital as at 31 December 2016 since the Company was not yet incorporated at that time.

Changes in share capital of the Company pursuant to the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Group Structure" in the Prospectus.

27. RESERVES**(a) Group**

The amounts of the Group's reserves and the movements therein for each reporting period during the Track Record Period are presented in the consolidated statements of changes in equity.

Company

The amounts and movements of the Company's reserves, during the Track Record Period are as follows:

	Share premium <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 20 July 2017 (date of incorporation), 31 December 2017 and 1 January 2018	—	—	—
Acquisition of subsidiaries under common control pursuant to the Reorganisation	310,268	—	310,268
Profit for the year and total comprehensive income for the year	—	30,446	30,446
Interim 2018 dividend (note 12)	<u>—</u>	<u>(30,385)</u>	<u>(30,385)</u>
At 31 December 2018 and 1 January 2019	310,268	61	310,329
Loss for the period and total comprehensive loss for the period	<u>—</u>	<u>(1)</u>	<u>(1)</u>
At 31 March 2019	<u><u>310,268</u></u>	<u><u>60</u></u>	<u><u>310,328</u></u>

(b) Share premium

The share premium represents the difference between the par value of the shares issued and the deemed consideration for the Reorganisation.

(c) Merger reserve

For the purpose of the preparation of the consolidated statements of financial position, the balance of the merger reserve at 31 December 2016 and 2017 represents the paid-up share capital of a subsidiary attributable to the controlling shareholder prior to the Reorganisation. The balance of the merger reserve at 31 December 2018 and 31 March 2019 represents the difference between the aggregate of the paid-up share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange therefor pursuant to the Reorganisation.

(d) Capital reserve

Capital reserve represents the contribution from an intermediate holding company with respect to the consideration for the acquisition of a subsidiary in prior years.

(e) **Exchange fluctuation reserve**

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of a foreign operation.

28. NOTES TO THE STATEMENTS OF CASH FLOWS(a) **Changes in liabilities arising from financing activities**

	<i>Notes</i>	Bank loans <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>
At 1 January 2016		—	8,418
New bank borrowings		1,000	—
Repayment of bank borrowings		(1,000)	—
Lease commencement recognition	15	—	8,126
Payment for lease liabilities		—	(10,227)
Finance cost for lease liabilities	8	—	216
At 31 December 2016 and 1 January 2017		—	6,533
New bank borrowings		230,000	—
Repayment of bank borrowings		(230,000)	—
Lease commencement recognition	15, 28(b)	—	32,326
Payment for lease liabilities		—	(12,458)
Finance cost for lease liabilities	8	—	487
At 31 December 2017 and 1 January 2018		—	26,888
New bank borrowings		970,000	—
Repayment of bank borrowings		(850,000)	—
Lease commencement recognition	15	—	7,003
Payment for lease liabilities		—	(16,758)
Finance cost for lease liabilities	8	—	637
At 31 December 2018 and 1 January 2019		120,000	17,770
New bank borrowings		400,000	—
Repayment of bank borrowings		(310,000)	—
Payment for lease liabilities		—	(3,856)
Finance cost for lease liabilities	8	—	121
At 31 March 2019		<u>210,000</u>	<u>14,035</u>

(b) **Major non-cash transactions**

- (i) During the year ended 31 December 2017, the provision for reinstatement cost of HK\$4,000,000 was included in additions of right-of-use assets (note 15).

- (ii) During the years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2019, lease commencement recognition of HK\$8,126,000, HK\$32,326,000, HK\$7,003,000 and Nil, respectively was included in lease liabilities.

29. CONTINGENT LIABILITIES

- (a) At 31 December 2016, 2017 and 2018 and 31 March 2019, performance bonds of approximately HK\$622,233,000, HK\$748,322,000, HK\$930,508,000 and HK\$932,805,000, respectively, were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work.

At the end of each reporting period during the Track Record Period, the Directors do not consider it probable that a claim will be made against the Group.

- (b) In the ordinary course of the Group's construction business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or of the Group's subcontractors in accidents arising out of and in the course of their employment. The Directors are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group.

30. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and overdrafts and banking facilities are included in note 20 and 23 to the Historical Financial Information.

31. COMMITMENTS

The Group had the following capital commitments at the end of each reporting period during the Track Record Period:

	As at 31 December			As at
	2016	2017	2018	31 March
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Contracted, but not provided for:				
Leasehold improvements	—	107	—	—
Plant and machinery	—	1,052	744	744
	—	1,159	744	744

32. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Track Record Period:

	<i>Notes</i>	Year ended 31 December			Three months ended 31 March	
		2016	2017	2018	2018	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(unaudited)</i>	
Management fee expenses paid to an intermediate holding company	(i)	<u>15,471</u>	<u>13,500</u>	<u>—</u>	<u>—</u>	<u>—</u>
Staff and administrative expenses paid on behalf of an intermediate holding company	(ii)	<u>23,837</u>	<u>9,926</u>	<u>—</u>	<u>—</u>	<u>—</u>
Machinery rental income received from an intermediate holding company	(iii)	<u>93</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Sales of scrap materials to an intermediate holding company	(iii)	<u>228</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Expenses recharged by an intermediate holding company	(iv)	<u>3,056</u>	<u>2,008</u>	<u>66</u>	<u>—</u>	<u>—</u>

Notes:

- (i) The management fee expenses paid to an intermediate holding company consisted of staff costs, rent and other miscellaneous administrative expenses. The management fee expenses were determined based on actual costs incurred, as mutually agreed between the parties.
- (ii) The staff and administrative expenses paid on behalf of an intermediate holding company consisted of staff costs and other miscellaneous administrative expenses, which were determined based on actual costs incurred, as mutually agreed between the parties.
- (iii) The machinery rental income received from and sales of scrap materials to an intermediate holding company were based on terms mutually agreed by the parties.
- (iv) The expenses paid on behalf of the Group by intermediate holding companies consisted of bank charges for arrangement of banking facilities and other administrative expenses. All administrative expenses were determined based on actual costs incurred.

(b) Outstanding balances with related parties

As at 31 December 2016, 2017 and 2018 and 31 March 2019, the Group had an amount due from an intermediate holding company of HK\$611,372,000, HK\$56,000, nil and HK\$55,000,000, respectively.

The above balances which are non-trade in nature, are unsecured, interest-free and have no fixed terms of repayment.

(c) Other transactions with related parties

The Group's intermediate holding companies have guaranteed certain bank loans and banking facilities made to the Group of up to HK\$605,641,000, HK\$960,000,000, HK\$720,000,000 and HK\$720,000,000 as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively.

An intermediate holding company has also provided letters of comfort for certain banking facilities amounting to HK\$550,000,000, HK\$1,760,000,000, HK\$2,320,000,000 and HK\$2,320,000,000 as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. According to the letters of comfort, the intermediate holding company shall provide the Group with the support and assistance as may be required to ensure that the Group maintains capital and liquidity level to enable it at all times to meet its obligations. In the event that the Group fails to meet its obligations and duties, the intermediate holding company shall raise sufficient available funds or provide available funds raised from other parties for the Group in order to meet all its obligations and duties under the facility letter.

A banking facility granted to the Group was utilised for the issuance of a performance bond on behalf of an intermediate holding company amounting to HK\$30,150,000 as at 31 December 2016. No performance bond was issued on behalf of an intermediate holding company as at 31 December 2017 and 2018 and 31 March 2019.

(d) Compensation of key management personnel of the Group

The compensation of key management personnel of the Group for each reporting period during the Track Record Period represented the directors' emoluments as disclosed in note 9 to the Historical Financial Information.

33. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at the end of each reporting period during the Track Record Period are financial assets and financial liabilities at amortised cost, respectively.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, an amount due from an intermediate holding company, trade and retention payables, financial assets included in other receivables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of non-current deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, and approximated their carrying amounts.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, trade receivables, other receivables, an amount due from an intermediate holding company, trade and retention payables and other payables and accruals.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that only well-established customers will be considered for open account terms and the approval of credit terms is subject to stringent credit check procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, trade and retention receivables, an amount due from an intermediate holding company and other receivables, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group had certain concentrations of credit risk as the trade and retention receivables in terms of the following percentages were due from the Group's largest external customer and the Group's five largest external customers out of the Group's total trade receivables:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	%	%	%	%
Due from the Group's largest external customer	14	23	21	19
Due from the Group's five largest external customers	<u>51</u>	<u>57</u>	<u>68</u>	<u>63</u>

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the Historical Financial Information.

The Group has applied the simplified approach to providing for impairment for expected credit losses ("ECLs") prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information.

All of the current portions of the other receivable balances are expected to be recovered or recognised as expenses within one year.

Maximum exposure and year-end staging as at 31 December 2016, 2017 and 2018 and 31 March 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2016

	12-month ECLs	Lifetime ECLs Simplified approach	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets*	—	391,716	391,716
Trade receivables*	—	366,820	366,820
Amount due from an intermediate holding company	611,372	—	611,372
Financial assets included in prepayments, deposits, and other receivables			
- Normal**	12,019	—	12,019
Cash and cash equivalents			
- Not yet past due	74,806	—	74,806
	<u>698,197</u>	<u>758,536</u>	<u>1,456,733</u>

APPENDIX I**ACCOUNTANTS' REPORT**

As at 31 December 2017

	12-month ECLs	Lifetime ECLs Simplified approach	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets*	—	751,856	751,856
Trade receivables*	—	556,828	556,828
Amount due from an intermediate holding company	56	—	56
Financial assets included in prepayments, deposits, and other receivables			
- Normal**	15,859	—	15,859
Pledged deposits			
- Not yet past due	25,662	—	25,662
Cash and cash equivalents			
- Not yet past due	392,066	—	392,066
	<u>433,643</u>	<u>1,308,684</u>	<u>1,742,327</u>

As at 31 December 2018

	12-month ECLs	Lifetime ECLs Simplified approach	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets*	—	1,138,675	1,138,675
Trade receivables*	—	688,719	688,719
Financial assets included in prepayments, deposits, and other receivables			
- Normal**	19,607	—	19,607
Pledged deposits			
- Not yet past due	25,961	—	25,961
Cash and cash equivalents			
- Not yet past due	103,091	—	103,091
	<u>148,659</u>	<u>1,827,394</u>	<u>1,976,053</u>

As at 31 March 2019

	12-month ECLs HK\$'000	Lifetime ECLs Simplified approach HK\$'000	Total HK\$'000
Contract assets*	—	1,411,421	1,411,421
Trade receivables*	—	386,370	386,370
Amount due from an intermediate holding company	55,000	—	55,000
Financial assets included in prepayments, deposits, and other receivables			
- Normal**	24,614	—	24,614
Pledged deposits			
- Not yet past due	26,054	—	26,054
Cash and cash equivalents			
- Not yet past due	109,459	—	109,459
	<u>215,127</u>	<u>1,797,791</u>	<u>2,012,918</u>

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 18 and 17 to the Historical Financial Information, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of funds generated from operations.

APPENDIX I**ACCOUNTANTS' REPORT**

The maturity profile of the Group's financial liabilities as at the end of each reporting period during the Track Record Period, based on the contractual undiscounted payments, is as follows:

	On demand <i>HK\$'000</i>	Less than 1 year <i>HK\$'000</i>	More than 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2016				
Trade and retention payables	85,990	124,324	129,656	339,970
Financial liabilities included in other payables and accruals	103	704,143	—	704,246
Lease liabilities	—	5,920	692	6,612
	<u>86,093</u>	<u>834,387</u>	<u>130,348</u>	<u>1,050,828</u>

	On demand <i>HK\$'000</i>	Less than 1 year <i>HK\$'000</i>	More than 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2017				
Trade and retention payables	122,981	529,684	91,591	744,256
Financial liabilities included in other payables and accruals	103	689,594	—	689,697
Lease liabilities	—	14,897	12,795	27,692
	<u>123,084</u>	<u>1,234,175</u>	<u>104,386</u>	<u>1,461,645</u>

	On demand <i>HK\$'000</i>	Less than 1 year <i>HK\$'000</i>	More than 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2018				
Trade and retention payables	107,163	718,392	159,314	984,869
Financial liabilities included in other payables and accruals	146	526,154	—	526,300
Interest-bearing bank borrowings	120,000	—	—	120,000
Lease liabilities	—	14,860	3,301	18,161
	<u>227,309</u>	<u>1,259,406</u>	<u>162,615</u>	<u>1,649,330</u>

	On demand	Less than 1 year	More than 1 year	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2019				
Trade and retention payables	146,814	483,680	163,045	793,539
Financial liabilities included in other payables and accruals	146	628,778	—	628,924
Interest-bearing bank borrowings	210,000	—	—	210,000
Lease liabilities	—	12,152	2,153	14,305
	<u>356,960</u>	<u>1,124,610</u>	<u>165,198</u>	<u>1,646,768</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholder or return capital to the shareholder. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2019.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Share Offer had taken place on 31 March 2019. This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Share Offer been completed as at 31 March 2019 or any future dates:

	Consolidated net tangible assets attributable to owners of the Company as at 31 March 2019	Estimated net proceeds from the Share Offer	Unaudited Pro forma adjusted consolidated net tangible assets	Unaudited Pro forma adjusted consolidated net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Notes 3 and 4)</i>
Based on an Offer Price of HK\$1.00	<u>360,264</u>	<u>111,528</u>	<u>471,792</u>	<u>0.944</u>
Based on an Offer Price of HK\$1.40	<u>360,264</u>	<u>167,068</u>	<u>527,332</u>	<u>1.055</u>

Notes:

1. The consolidated net tangible assets attributable to owners of the Company as at 31 March 2019 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$1.00 and HK\$1.40 per Share, after deduction of the underwriting fees and other related expenses payable by the Company.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 500,000,000 Shares expected to be in issue immediately following the completion of the Share Offer without taking into account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
4. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2019.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following version is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The Directors
CR Construction Group Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of CR Construction Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 March 2019 and related notes as set out in Appendix II to the prospectus of the Company dated 27 September 2019 (the "Prospectus") issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in notes on page II-1.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of public offer and placing of shares of the Company on the Group's financial position as at 31 March 2019 as if the transaction had taken place at 31 March 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 March 2019, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of public offer and placing of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

27 September 2019

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 July 2017 under the Companies Law. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 17 September 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) **Shares**

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

Our Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(v) *Power of our Company to purchase its own shares*

Our Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) *Power of any subsidiary of our Company to own shares in our Company*

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

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(vii) *Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) **Directors**

(i) *Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

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Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to our Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

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(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of our Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iv) *Borrowing powers*

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

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(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company)

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upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if our Company were a company incorporated in Hong Kong.

(viii) *Disclosure of interests in contracts with our Company or any of its subsidiaries*

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or

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proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

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(d) Alterations to constitutional documents and our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have

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been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

Our Company must hold an annual general meeting of our Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

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Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers; and
 - (ee) the fixing of the remuneration of the directors and of the auditors.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

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(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

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(g) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

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Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(h) **Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) **Procedures on liquidation**

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 16 August 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of our Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

Our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of our Company are listed on the Stock Exchange, our Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 20 July 2017. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 17 August 2017 and our principal place of business in Hong Kong is at Units 3-16, Level 32, Standard Chartered Tower of Millennium City 1, No.388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong. Mr. Li Kar Yin and Ms. Leung Suet Lun has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum of Association and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the same day, one fully paid Share was issued and allotted to the subscriber, which was subsequently transferred to CR Investments, and 999 new fully paid Shares were allotted and issued to CR Investments.
- (b) On 9 February 2018, as part of the Reorganisation, in consideration of the acquisition by CR Development of the entire issued share capital of CR Construction, 1,695,000 Shares were issued and allotted to CR Investments, credited as fully paid, at the direction of Zhejiang Construction HK.
- (c) On 17 September 2019, our sole Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$100,000,000 by the creation of 9,962,000,000 additional Shares, each ranking pari passu with our Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, 500,000,000 Shares, fully paid or credited as fully paid, will be in issue, and 9,500,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “3. Written resolutions of our sole Shareholder passed on 17 September 2019” in this Appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholder(s) in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.

- (f) Save as disclosed in the section headed “Share Capital” in this prospectus and in this paragraph headed “Changes in share capital of our Company”, there has been no other alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 17 September 2019

By written resolutions of our sole Shareholder passed on 17 September 2019:

- (a) our Company approved and adopted the Memorandum of Association with immediate effect and conditionally approved and adopted the Articles with effect from the Listing Date, the terms of which are summarised in Appendix III to this prospectus;
- (b) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be issued and allotted pursuant to the exercise of any options which may be granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) conditional further on the share premium account of our Company being credited as a result of the issue of the new Shares under the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK\$3,594,540.00 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 359,454,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 17 September 2019 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the Shares then in issue, and our Directors were authorised to give effect to such capitalisation and distributions;

- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares issued and allotted in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Memorandum of Association and the Articles or pursuant to a specific authority granted by our Shareholders in general meetings or pursuant to the Capitalisation Issue and the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme (the “**Repurchase Mandate**”), and the Repurchase Mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

- (iii) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (e) a general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group. For details of the major steps of the Reorganisation, please refer to the section headed "History, Reorganisation and Group structure" in this prospectus.

Following the Reorganisation, our Company became the holding company of our Group. The shareholding structure of the members of our Group upon completion of the Reorganisation, the Capitalisation Issue and the Share Offer is set out in the section headed "History, Reorganisation and Group Structure" in this prospectus.

5. Changes in share capital of subsidiaries

Our subsidiaries are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save for the alterations described in the section headed "History, Reorganisation and Group Structure" in this prospectus, no changes in the share capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 17 September 2019, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares representing up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares to be issued and allotted pursuant to the exercise of any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase out of our Company's share premium account or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a core connected person, which includes a Director, chief executive or Substantial Shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) ***Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) ***Exercise of the Repurchase Mandate***

Exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue after completion of the Capitalisation Issue and the Share Offer, could accordingly result in up to 50,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) ***Funding of repurchases***

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) ***General***

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. *Summary of material contracts*

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:







- (a) a sale and purchase agreement dated 9 February 2018 entered into among Zhejiang Construction HK, CR Development and our Company, the instrument of transfer dated 9 February 2018 and the bought and sold notes dated 9 February 2018 entered into between Zhejiang Construction HK and CR Development for the transfer of 1,695,000 shares in CR Construction to CR Development in consideration of our Company allotting and issuing 1,695,000 new fully paid Shares to CR Investments (as directed by Zhejiang Construction HK);
- (b) the Deed of Non-Competition;
- (c) the Deed of Indemnity;
- (d) a cornerstone investment agreement dated 20 September 2019 and entered into between our Company and Ning Shing (Holdings) Company Limited, pursuant to which Ning Shing (Holdings) Company Limited agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,500 Shares) that may be purchased with HK\$25.0 million;
- (e) a cornerstone investment agreement dated 20 September 2019 and entered into between our Company and Sha Chan Chung Civil Engineering Limited, pursuant to which Sha Chan Chung Civil Engineering Limited agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,500 Shares) that may be purchased with HK\$10.0 million;

- (f) a cornerstone investment agreement dated 18 September 2019 and entered into between our Company and Royal Karry HK Engineer Limited, pursuant to which Royal Karry HK Engineer Limited agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,500 Shares) that may be purchased with HK\$8.5 million;
- (g) a cornerstone investment agreement dated 20 September 2019 and entered into between our Company and Hoi Cheung Engineering Company Limited, pursuant to which Hoi Cheung Engineering Company Limited agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,500 Shares) that may be purchased with HK\$5.0 million;
- (h) a cornerstone investment agreement dated 20 September 2019 and entered into between our Company and Cheng Faat Ting Gary, pursuant to which Cheng Faat Ting Gary agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,500 Shares) that may be purchased with HK\$1.0 million;
- (i) a cornerstone investment agreement dated 20 September 2019 and entered into between our Company and Yeung Fun Bun, pursuant to which Yeung Fun Bun agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,500 Shares) that may be purchased with HK\$1.0 million; and
- (j) the Public Offer Underwriting Agreement.

2. Intellectual property rights

Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong which are material to our business:

Trademark	Class	Trademark number	Expiry date
(A)  華營建築集團控股有限公司 CR CONSTRUCTION GROUP HOLDINGS LIMITED 源建集團	37	304251690	24 August 2027
(B)  華營建築集團控股有限公司 CR CONSTRUCTION GROUP HOLDINGS LIMITED 源建集團			
(A)  華營建築有限公司 CR CONSTRUCTION COMPANY LIMITED 源建集團	37	304251726	24 August 2027
(B)  華營建築有限公司 CR CONSTRUCTION COMPANY LIMITED 源建集團			
(A) 	37	304251717	24 August 2027
(B) 			

Domain name

As at the Latest Practicable Date, our Group has registered the following domain name which is material to our business:

Registrant	Domain name	Registration date	Expiry date
CR Construction	cr-construction.com.hk	24 February 2014	27 February 2022

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS**1. Disclosure of interests****(a) *Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and the associated corporations***

Immediately following completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and assuming none of the Employee Reserved Shares under the Employee Preferential Offering were allotted and issued to Eligible Directors, none of our Directors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, would have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange.

(b) *Interests of substantial and other Shareholders in the Shares and underlying Shares*

For information on the persons who will, immediately following completion of the Share Offer, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of any class of Shares carrying the rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries, please refer to the section headed “Substantial Shareholders” in this prospectus.

2. Particulars of service agreements

None of our Directors has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Directors’ remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in each of the three years ended 31 December 2018 and the three months ended 31 March 2019 were approximately HK\$4.4 million, HK\$9.5 million, HK\$11.2 million and HK\$3.4 million, respectively.

- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2019 will be approximately HK\$7.6 million.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	<i>HK\$</i>
Mr. GUAN Manyu	512,000
Mr. LI Kar Yin	2,700,000
Ms. CHU Ping	615,600
Mr. LAW Ming Kin	1,923,000
Mr. CHAN Tak Yiu	1,923,000
 Non-executive Director	
Mr. YANG Haojiang	300,000
 Independent non-executive Directors	
The Honourable TSE Wai Chun Paul JP	300,000
Mr. LI Ka Fai David	300,000
Mr. HO Man Yiu Ivan	300,000

4. Fees or commission received

Save as disclosed in this prospectus, none of our Directors or the experts named in the paragraph headed “E. Other information — 6. Qualifications of experts” in this Appendix had received any agency fees, discounts, commissions, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 32 to the Accountants’ Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “E. Other information — 6. Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “E. Other information — 6. Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors or the experts named in the paragraph headed “E. Other information — 6. Qualifications of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (e) taking no account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the paragraph headed “A. Further information about our Company” in this Appendix, and taking no account of Shares which may be taken up under the Share Offer, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and Share Offer, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries;
- (f) taking no account any Shares to be issued upon exercise of and any options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would

be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed; and

- (g) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers, five largest subcontractors or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	17 September 2019, the date on which the Share Option Scheme is conditionally adopted by the sole Shareholder by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof, unless terminated earlier in accordance with the terms of the Share Option Scheme

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 17 September 2019:

(a) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) *Who may join and basis of eligibility*

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any Substantial Shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(c) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

(d) *Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(e) *Maximum number of Shares*

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 50,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 50,000,000 Shares from time to time) to the participants under the Share Option Scheme.

- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.
- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) ***Maximum entitlement of each participant***

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) *Grant of options to certain core connected persons*

- i. Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- ii. Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

- (a) representing in aggregate over 0.1% of our Shares in issue; and
- (b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant and his intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by the Shareholders in the aforesaid manner.

(h) *Restrictions on the times of grant of options*

- (i) Our Company may not grant any options after any inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (b) the last day on which for our Company is to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

(ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published and:

- (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) *Performance targets*

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) *Ranking of Shares*

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) *Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) *Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) *Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group as at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) *Rights on cessation of employment for other reasons*

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(p) *Effects of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an

issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to our Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) ***Rights on a general offer***

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror), our Company shall use its best endeavours to procure that an appropriate offer is extended to all the grantee (on comparable terms, mutatis mutandis, and assuming that they will become, by exercise in full of the options granted to them, as Shareholders) and when such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) ***Rights on winding-up***

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) ***Rights on compromise or arrangement***

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and

the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the “Suspension Date”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavour to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(t) *Lapse of options*

An option shall lapse automatically on the earliest of:

- (1) the expiry of the period referred to in paragraph (i) above;
- (2) the date on which our Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (3) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (n), (o), (q), (r) or (s) above;
- (4) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
- (5) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;

- (6) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (7) subject to the compromise or arrangement as referred to in paragraph (s) becoming effective, the date on which such compromise or arrangement becomes effective.

(u) ***Cancellation of options granted but not yet exercised***

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation.

(v) ***Period of the Share Option Scheme***

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof.

(w) ***Alteration to the Share Option Scheme***

- (i) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (ii) Any alternations to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(x) ***Termination to the Share Option Scheme***

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and commencement of dealings in the Shares on the Stock Exchange.

3. **Present status of the Share Option Scheme**

Application has been made to the Listing Committee for the listing of and permission to deal in 50,000,000 Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. **Tax and other indemnities**

Zhejiang State-owned Capital, Zhejiang Construction Investment, Zhejiang Construction BVI, Zhejiang Construction HK and CR Investments (collectively, the “**Indemnifiers**”) have, under the Deed of Indemnity, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things, (a) any duty which is or thereafter becomes payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in Hong Kong or any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional; (b) any taxation falling on any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional; (c) any penalties, claims, actions, demands, proceedings, suits, judgments, losses, payments, liabilities, damages, settlement payments, costs, administrative or other charges, fees, expenses and fines of whatever nature which may be imposed on or suffered by or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether of criminal, administrative, contractual, tortious or otherwise, instituted by or against any member of our Group in relation to any act, non-performance, omission, events or otherwise occurred on or before the date on which the Share Offer becomes unconditional, and any non-compliance with the applicable laws, rules or regulations by any member of our Group on or before the date on which the Share Offer becomes unconditional except that provisions, reserve or allowance has been made for such liabilities in the audited consolidated financial statements of our Company or any other member of our Group for the Track Record Period (if any). The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited consolidated financial statements of any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of our Group after 31 March 2019 up to and including the date of which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the section headed “Business — Legal proceedings and claims” in this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sole Sponsor, pursuant to which our Company agreed to pay HK\$6.8 million to the Sole Sponsor to act as the Sole Sponsor to our Company for purposes of the Share Offer.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$44,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
First Shanghai Capital Limited	A licensed corporation to carry out type 6 regulated activities (advising on corporate finance) under the SFO
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
GFE Law Office	PRC legal advisers
Chan Chung	Barrister-at-law of Hong Kong
Ng, Au Yeung & Partners	Legal advisers as to Employee's Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)
China Insights Consultancy Limited	Independent Industry consultant
Tse Wing Ning Shack Hon Ying	Independent registered safety auditor

7. Consents of experts

Each of the experts named in the paragraph headed "E. Other information — 6. Qualifications of experts" in this Appendix has given and has not withdrawn its/his written consent to the issue of this prospectus with the inclusion of its/his reports and/or letter and/or advice and/or opinion and/or summary thereof (as the case may be) and/or reference to its/his name included herein in the form and context in which it/he is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration procedures

The register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a Hong Kong share register of members will be maintained in Hong Kong by the Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the share register in Hong Kong and may not be lodged in the Cayman Islands.

10. No material adverse change

Save for the expenses in connection with the Listing, our Directors confirm that there had been no material adverse change in the operation, financial or trading position, or our prospects since 31 March 2019 (being the date to which our latest audited consolidated financial statements were prepared) and up to the date of this prospectus, and there is no event since 31 March 2019 and up to the date of this prospectus would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

11. Miscellaneous

Save as disclosed in this prospectus:

- (i) Within the two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or any of the subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
 - (cc) no commission has been paid or payable (except to the Underwriters) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of the subsidiaries;
- (ii) no founders, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;
- (iii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iv) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;

- (v) none of the experts named in the paragraph headed “E. Other information — 6. Qualifications of experts” in this Appendix:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
- (vi) our Company and the subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (vii) our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands laws;
- (viii) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (ix) our Group has no outstanding convertible debt securities; and
- (x) the English text of this prospectus shall prevail over the Chinese text.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW, GREEN** and **PINK** Application Forms;
- (b) copies of the material contracts referred to in the section headed “B. Further information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the section headed “E. Other information — 7. Consents of experts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of David Fong & Co., at Unit A, 12/F, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles;
- (b) the Accountants’ Report of our Group prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group prepared by Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Company for the three years ended 31 December 2018 and three months ended 31 March 2019;
- (e) the letter prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law as referred to in Appendix III to this prospectus;
- (f) the service agreements referred to in the section headed “C. Further information about Substantial Shareholders, Directors and experts — 2. Particulars of service agreements” in Appendix IV to this prospectus;
- (g) the material contracts referred to in the section headed “B. Further information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (h) the written consents referred to in the section headed “E. Other information — 7. Consents of experts” in Appendix IV to this prospectus;

- (i) the Companies Law;
- (j) the rules of the Share Option Scheme;
- (k) the legal opinion prepared by our PRC Legal Advisers;
- (l) the legal advice prepared by our Legal Counsel;
- (m) the legal opinions prepared by our EC Legal Advisers;
- (n) the CIC Report; and
- (o) the reports prepared by our independent registered safety auditor.



華營建築集團控股有限公司
CR CONSTRUCTION GROUP HOLDINGS LIMITED