



Acme International Holdings Limited 益美國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1870

Global Offering

Sole Sponsor, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers



IMPORTANT

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



Acme International Holdings Limited 益美國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	: 130,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 13,000,000 Shares (subject to reallocation)
Number of International Offer Shares	: 117,000,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	: Not more than HK\$1.31 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 subject to refund
Nominal Value	: HK\$0.01 per Share
Stock Code	: 1870

Sole Sponsor, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager



東興證券(香港)
DONGXING SECURITIES (HONG KONG)

Joint Bookrunners and Joint Lead Managers



寶新金融
GLORY SUN FINANCIAL



越秀證券
YUEXIU SECURITIES



創市證券
VMI SECURITIES



中泰國際
ZHONGTAL INTERNATIONAL

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

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

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Wednesday, 30 October 2019 and, in any event, not later than Wednesday, 6 November 2019. The Offer Price will be not more than HK\$1.31 and is currently expected to be not less than HK\$0.97. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.31 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$1.31.

The Sole Global Coordinator (for itself and on behalf of the other Underwriters, and with our consent) may reduce the number of Offer Shares and/or the indicative offer price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative offer price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If, for any reason, the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company are unable to reach an agreement on the Offer Price by Wednesday, 6 November 2019, the Global Offering will not proceed and will lapse.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in our Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered to outside the United States in accordance with Regulation S.

25 October 2019

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, our Company will issue an announcement to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.acmehld.com.

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

Forms available from 9:00 a.m. on Friday, 25 October 2019

Latest time to complete electronic applications
under the **HK eIPO White Form** service

through the designated website at

www.hkeipo.hk⁽²⁾ 11:30 a.m. on Wednesday, 30 October 2019

Application lists open⁽³⁾ 11:45 a.m. on Wednesday, 30 October 2019

Latest time for lodging **WHITE** and **YELLOW**

Application Forms 12:00 noon on Wednesday, 30 October 2019

Latest time to give **electronic application**

instructions to HKSCC⁽⁴⁾ 12:00 noon on Wednesday, 30 October 2019

Latest time to complete payment of

HK eIPO White Form applications by
effecting internet banking transfer(s) or

PPS payment transfer(s) 12:00 noon on Wednesday, 30 October 2019

Application lists close 12:00 noon on Wednesday, 30 October 2019

Expected Price Determination Date⁽⁵⁾ on or around Wednesday, 30 October 2019

(1) Announcement of the final Offer Price, the results of the applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before Thursday, 7 November 2019

(2) Results of allocations (with successful applicants' identification document numbers or Hong Kong business registration numbers) in the Hong Kong Public Offering will be available through a variety of channels as described in the section headed "How to apply for Hong Kong Offer Shares – 11. Publication of results" in this prospectus from Thursday, 7 November 2019

EXPECTED TIMETABLE⁽¹⁾

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.acmehld.com⁽⁶⁾ fromThursday, 7 November 2019

Results of allocations in the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result (alternatively: www.hkeipo.hk/IPOResult) with a “search by ID” function fromThursday, 7 November 2019

Despatch/collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) and wholly or partially unsuccessful applications under the Hong Kong Public Offering on or before⁽⁷⁾⁽⁸⁾Thursday, 7 November 2019

Despatch/collection of share certificates of the Offer Shares or deposit of share certificates of Offer Shares into CCASS in respect of wholly or partially successful applications under the Hong Kong Public Offering on or before⁽⁸⁾⁽⁹⁾Thursday, 7 November 2019

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. onFriday, 8 November 2019

Notes:

- (1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated.
- (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, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force at any time between 9:00 a.m. and 12:00 noon on Wednesday, 30 October 2019, the application lists will not open on that day. For further details, please refer to the section headed “How to apply for Hong Kong Offer 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 Wednesday, 30 October 2019, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for Hong Kong Offer Shares – 6. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Wednesday, 30 October 2019 and, in any event, not later than Wednesday, 6 November 2019. If for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us by Wednesday, 6 November 2019, the Global Offering will not proceed and will lapse.

EXPECTED TIMETABLE⁽¹⁾

- (6) Neither the website of our Company nor any of the information contained on the website of our Company forms part of this prospectus.
- (7) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or 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 purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheques.
- (8) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect any refund cheques and share certificates in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong between 9:00 a.m. to 1:00 p.m. on Thursday, 7 November 2019. Applicants being individuals who opt for personal collection may not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) authorisation documents acceptable to our Hong Kong Branch Share Registrar.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect their refund cheques, if any, in person but may not elect to collect their share certificates as such share certificates will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering can collect their share certificates (if any) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong between 9:00 a.m. to 1:00 p.m. on Thursday, 7 November 2019. For applicants who apply through the **HK eIPO White Form** service and paid the application monies from a single bank account, e-Auto Refund payment instructions (if any) will be despatched to their application payment bank account on or before Thursday, 7 November 2019. For applicants who apply through the **HK eIPO White Form** service and used multi-bank accounts to pay the application monies, refund cheque (if any) will be despatched to the address specified in their **electronic application instruction** to the **HK eIPO White Form** Service Provider on or before Thursday, 7 November 2019 at their own risk.

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to apply for Hong Kong Offer Shares" in this prospectus for details. Uncollected share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' own risk to the addresses specified in the relevant applications. Further information is set out in the section headed "How to apply for Hong Kong Offer Shares – 5. Applying through **HK eIPO White Form** service" in this prospectus.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to apply for Hong Kong Offer Shares – 13. Refund of application monies" and "How to apply for Hong Kong Offer Shares – 14. Despatch/Collection of share certificates and refund monies" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (9) Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Friday, 8 November 2019 provided that (i) the Global Offering has become unconditional in all respects; and (ii) none of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

The above expected timetable is a summary only. Further details and information on the structure of the Global Offering, including the conditions thereto and the procedures for application for the Hong Kong Offer Shares are set out in the sections headed “Structure of the Global Offering” and “How to apply for Hong Kong Offer Shares” in this prospectus.

Prospective investors of our Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to us by the Sole Global Coordinator (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed “Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for termination” in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the day trading in our Shares commences on the Stock Exchange.

CONTENTS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any other jurisdictions or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdictions other than Hong Kong. The distribution of this prospectus and the offering and sale 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.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information not given or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering. Information contained in our website, www.acmehld.com, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you. You should read the whole prospectus before you decide to invest in our Shares.

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

OVERVIEW

Founded in 1989, we are a reputable design and build solution service provider for façade works and BMU system (as defined in the section headed “Glossary of technical terms” in this prospectus) works in Hong Kong with proven track record. According to the Ipsos Report, we are the only service provider in Hong Kong which provides one-stop design and build solutions for both façade works and BMU system works. Our design and build solution services in relation to façade works and BMU system works generally cover design, preparation of shop drawings and structural calculations, procurement of building materials and BMU systems, installation and logistics arrangement services, on-site project supervision, post-completion maintenance services and project management. To a smaller extent, we also provide one-off repair and maintenance services for façade works and one-off and regular repair and maintenance services for BMU system works. Our façade works focus on private sector and cover residential buildings and commercial buildings. Our BMU system works cover both private and public sectors and cover residential buildings, commercial buildings, industrial buildings as well as community facilities. Our customers are primarily main contractors.

During the Track Record Period, we had completed a total of 103 design and build projects, of which 19 projects were related to façade works and 84 projects were related to BMU system works. For the three years ended 31 December 2018 and the four months ended 30 April 2019, our total revenue amounted to approximately HK\$481.0 million, HK\$423.8 million, HK\$466.1 million and HK\$170.7 million, respectively. During the Track Record Period, all of our revenue was derived from Hong Kong.

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

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Façade works	349,747	72.7	300,547	70.9	264,033	56.6	81,711	52.4	76,590	44.9
BMU system works	131,295	27.3	123,204	29.1	202,096	43.4	74,246	47.6	94,080	55.1
Total	481,042	100.0	423,751	100.0	466,129	100.0	155,957	100.0	170,670	100.0

SUMMARY

OUR BUSINESS MODEL

During the Track Record Period, we generated our revenue from two business streams, namely façade works and BMU system works. In relation to façade works, we provide one-stop design and build solutions which generally range from design, preparation of shop drawings and structural calculations, procurement of building materials, installation and logistics arrangement services, on-site project supervision, post-completion maintenance services to project management. To a smaller extent, we also provide one-off repair and maintenance services. Our façade works focus on private sector and cover residential buildings and commercial buildings and can be divided into three major types, namely (i) podium façade works; (ii) curtain wall works; and (iii) aluminium window works.

In relation to BMU system works, we provide one-stop design and build solutions which generally include design, preparation of shop drawings and structural calculations, procurement of building materials and BMU systems, installation and logistics arrangement services as well as on-site project supervision, post-completion maintenance services and project management. To a smaller extent, we also provide one-off and regular repair and maintenance services. Our BMU system works cover both private and public sectors and cover residential buildings, commercial buildings, industrial buildings as well as community facilities. We mainly provide crane type BMU systems and also provide other types of BMU systems, such as roof trolley BMU systems, monorail BMU systems, and davit arm BMU systems.

We generally determine the price of our projects on an estimated project costs plus a mark-up margin on a project-by-project basis, taking into account various factors, such as the nature of the project, the estimated costs, the project schedule, our projects on hand, the availability of our resources, the scale and complexity of the project and the amount of surety bond required.

CUSTOMERS

Our customers are primarily main contractors. We typically secure new businesses through direct invitation for tendering by our existing customers or potential customers. During the Track Record Period, all of our major customers were located in Hong Kong and all of our revenue was denominated in HK\$. For the three years ended 31 December 2018 and the four months ended 30 April 2019, revenue attributable to our largest customer accounted for approximately 51.2%, 58.2%, 52.0% and 45.1% of our total revenue, while revenue attributable to our five largest customers in aggregate accounted for approximately 86.0%, 87.1%, 82.2% and 84.4% of our total revenue, respectively. Despite the concentration on our five largest customers during the Track Record Period, we consider that our business is sustainable on grounds set out in the section headed “Business – Customers – Customer concentration” in this prospectus. For details of the customer concentration risks, please refer to the section headed “Risk factors – Risks relating to our business – Revenue derived from our five largest customers accounted for a substantial portion of our total revenue, failure to retain business relationship with them or secure new business may affect our results of operation and financial performance” in this prospectus.

SUPPLIERS

Our suppliers generally include (i) suppliers for building materials, such as aluminium, steel and glass; (ii) suppliers for BMU systems; and (iii) suppliers for miscellaneous services, such as transportation. During the Track Record Period, our major suppliers were located in Hong Kong, Spain and the PRC and our purchases were generally denominated in HK\$, RMB and EUR. For the three years ended 31 December 2018 and the four months ended 30 April 2019, purchases attributable to our largest supplier accounted for approximately 24.4%, 21.1%, 44.9% and 36.3% of our total purchases, while purchases attributable to our five largest suppliers in aggregate accounted for approximately 71.2%, 60.4%, 69.1% and 77.8% of our total purchases, respectively.

SUMMARY

SUBCONTRACTORS

During the Track Record Period, we subcontracted installation works and fabrication works to our subcontractors. All of our subcontractors are engaged on a project-by-project basis and we are responsible for supervising the works performed by them. During the Track Record Period, our subcontracting charges amounted to HK\$144.9 million, HK\$139.6 million, HK\$109.5 million and HK\$34.9 million, respectively, representing approximately 36.6%, 41.4%, 29.2% and 26.4% of our total cost of sales during the same period. As at the Latest Practicable Date, we had 52 subcontractors on our approved list of subcontractors.

OCCUPATIONAL HEALTH AND SAFETY CONTROL

We have implemented occupational health and safety control measures to mitigate accident risks. For example, we have internal rules in relation to occupational health and safety that our staff are required to comply with. Before execution of a project, we conduct safety risks analysis and prepare an execution plan that is designed to minimise the identified safety risks. Further, we assign site supervisors to monitor the implementation of safety measures at the work sites. Although we have implemented the abovementioned measures, the occurrence of accidents at construction sites cannot be completely eliminated due to the work nature in the construction industry. For the three years ended 31 December 2018 and the four months ended 30 April 2019 and the subsequent period up to the Latest Practicable Date, we recorded seven, 10, five, one and two accident(s), respectively, which gave rise or may give rise to potential employees' compensation and personal injury claims. For details, please refer to the section headed "Business – Occupational health and safety control" in this prospectus.

LICENCES AND PERMITS

As at the Latest Practicable Date, we had obtained the following licences:

<u>Licence</u>	<u>Holder</u>	<u>Issuing authority</u>	<u>Type of works covered</u>	<u>Expiry date</u>
Registered Subcontractor	Acme Metal	Construction Industry Council	(i) Aluminium window/louvres; (ii) curtain wall/glass wall; (iii) metal work; (iv) metal roof, skylight, cladding, space frame; and (v) glazier work	11 September 2023
Registered Subcontractor	Acme Gondola	Construction Industry Council	(i) General mechanical fitting; and (ii) building maintenance unit	23 June 2023
Registered Minor Works Contractor ^(Note 1)	Acme Metal	Buildings Department	Class III minor works ^(Note 2)	26 September 2021
Registered Electrical Contractor ^(Note 3)	Acme Gondola	Electrical and Mechanical Services Department	Electrical work	10 May 2021

Notes:

1. Acme Metal is required under the relevant laws and regulations to appoint at least one authorised signatory and one technical director in order to qualify as a registered minor works contractor. As at the Latest Practicable Date, Mr. Mak was the authorised signatory and technical director of Acme Metal in this connection.
2. Under the Minor Works Control System of the Buildings Department, minor works are classified into three classes according to their scale, complexity and risk to safety and are subject to different degrees of control. Class III minor works are mainly common household minor works.

SUMMARY

3. Acme Gondola is required under the relevant laws and regulations to employ at least one registered electrical worker in order to qualify as a registered electrical contractor. As at the Latest Practicable Date, Acme Gondola had five employees who were registered electrical workers in this connection.

For further details, please refer to the section headed “Business – Licences and permits” in this prospectus.

MARKET AND COMPETITION

According to the Ipsos Report, the façade works industry and the BMU system works industry in Hong Kong are both mature and dominated by top tier market players. There are approximately 30 to 40 major market players in the façade works industry and approximately 15 active market players in the BMU system works industry. We ranked (i) eighth among the top 10 design and build solution service providers for façade works in Hong Kong in 2018 in terms of revenue with a market share of approximately 4.7%; and (ii) ranked first among the top five design and build solution service providers for BMU system works in Hong Kong in 2018 in terms of revenue with a market share of approximately 49.9%.

According to the Ipsos Report, the gross output value of the façade works industry and the BMU system works industry are expected to grow from approximately HK\$6,011.5 million and HK\$411.8 million in 2019 to approximately HK\$7,049.3 million and HK\$506.7 million in 2023, at a CAGR of approximately 4.1% and 5.3%, respectively. The future growth in the façade works industry is expected to be driven by large-scale public infrastructure projects and the increase of land supply for public and private residential buildings, while the future growth in the BMU system works industry is expected to be driven by the increase of land sales for residential, office and commercial buildings.

For further information regarding the competitive landscape of the industry in which we operate, please refer to the section headed “Industry overview” in this prospectus.

COMPETITIVE STRENGTHS

Our Directors believe that there are several competitive strengths which differentiate us from our competitors and enable us to continue our growth and enhance our profitability. Such competitive strengths include (i) being the only one-stop service provider in design and build solution for both façade works and BMU system works in Hong Kong with a leading market position in the BMU system works industry; (ii) well-established reputation with solid track record in the façade works industry and BMU system works industry in Hong Kong; (iii) long-term business relationships with our major customers and major suppliers; (iv) management team with extensive industry knowledge and experience; and (v) stringent quality control measures to ensure reliable and satisfactory services. For further details, please refer to the section headed “Business – Competitive strengths” in this prospectus.

BUSINESS STRATEGIES

We aim to expand our scale of operation and further strengthen our market position and overall competitiveness in the façade works industry and BMU system works industry in Hong Kong through: (i) strengthening our financial capacity to undertake more design and build projects; (ii) expanding our workforce to enhance our capacity to undertake more design and build projects; and (iii) enhancing our operational efficiency by implementing an ERP system. For further details, please refer to the section headed “Business – Business strategies” in this prospectus.

SHAREHOLDER INFORMATION

Immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options or any options which may be granted under the Share Option Scheme), our Company will be owned as to (i) 37.5% by RR, which is wholly owned by Mr. Kwan; and (ii) 37.5% by SV, which is wholly owned by Mr. Mak. Accordingly, RR, Mr. Kwan, SV and Mr. Mak will be regarded as our Controlling Shareholders upon Listing. For further details, please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus.

SUMMARY

RISK FACTORS

There are certain risks relating to our operations which could harm our business, financial condition and operating results. Some of the material risks include: (i) our business operations are dependent on our suppliers for stable and timely supply of quality building materials and BMU systems; (ii) revenue derived from our five largest customers accounted for a substantial portion of our total revenue, failure to retain business relationship with them or secure new business may affect our results of operation and financial performance; (iii) our future development and success depends on our ability to secure contracts through tendering which is not recurrent in nature; (iv) the amount of revenue that we are able to derive from a project may be lower than the awarded contract sum due to contract adjustment subsequently made by our customers; and (v) failure to accurately estimate our project costs in our tenders may materially and adversely affect our profitability and financial performance. For detailed discussion of the risk factors, please refer to the section headed “Risk factors” in this prospectus.

SUMMARY OF HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

Consolidated income statements

The following table sets forth a summary of the consolidated income statements of our Group for the years/periods indicated:

	Year ended 31 December			Four months ended 30 April	
	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	481,042	423,751	466,129	155,957	170,670
Cost of sales	(396,456)	(336,865)	(375,021)	(123,426)	(132,379)
Gross profit	84,586	86,886	91,108	32,531	38,291
Other income	1,796	1,603	1,704	678	732
Other (losses)/gains, net	(1,385)	75	44,415	242	224
Administrative expenses	(15,079)	(15,768)	(26,030)	(4,622)	(14,563)
Operating profit	69,918	72,796	111,197	28,829	24,684
Finance income	283	380	674	196	233
Finance costs	(746)	(1,210)	(834)	(166)	(158)
Finance (costs)/income, net	(463)	(830)	(160)	30	75
Profit before income tax	69,455	71,966	111,037	28,859	24,759
Income tax expense	(11,329)	(11,562)	(12,146)	(4,459)	(5,065)
Profit for the year/period	<u>58,126</u>	<u>60,404</u>	<u>98,891</u>	<u>24,400</u>	<u>19,694</u>

Our other (losses)/gains, net of HK\$44.4 million for the year ended 31 December 2018 consists of, among other things, gain on disposal of property, plant and equipment of HK\$47.1 million attributable to the disposal of the Wong's Property and Wai Yip Property in September 2018, which was non-recurring in nature. For further details, please refer to the

SUMMARY

sections headed “Financial information – Description of certain components of our consolidated income statements – Other (losses)/gains, net” and “History, development and Reorganisation – Reorganisation steps – Disposals of the Excluded Properties” in this prospectus.

Non-HKFRS measures

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented the adjusted profit as non-HKFRS measures used by our management to evaluate our financial performance by eliminating the impact of listing expenses and gain on disposal of property, plant and equipment attributable to the disposal of the Wong’s Property and Wai Yip Property, which are non-recurring in nature and are not indicative for evaluating the actual performance of our business. We believe that these non-HKFRS measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies. The following table sets forth a reconciliation between the profit for the year/period and the adjusted profit for the year/period for the years/periods indicated:

	Year ended 31 December			Four months ended 30 April	
	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>
Profit for the year/period	58,126	60,404	98,891	24,400	19,694
Adjusted for:					
Listing expenses	–	–	7,631	–	6,174
Gain on disposal of property, plant and equipment	–	–	(47,079)	–	–
Adjusted profit for the year/period	<u>58,126</u>	<u>60,404</u>	<u>59,443</u>	<u>24,400</u>	<u>25,868</u>

Summary of consolidated statements of financial position

The following table sets forth a summary of consolidated statements of financial position of our Group as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Non-current assets	32,757	40,809	35,549	37,119
Current assets	344,098	370,294	336,179	303,369
Current liabilities	203,836	170,138	101,551	94,934
Net current assets	140,262	200,156	234,628	208,435
Total assets less current liabilities	173,019	240,965	270,177	245,554
Non-current liabilities	1,591	1,960	3,737	2,639
Net assets	171,428	239,005	266,440	242,915

Our net assets amounted to HK\$171.4 million, HK\$239.0 million, HK\$266.4 million and HK\$242.9 million as at 31 December 2016, 2017 and 2018 and as at 30 April 2019. The increase in our net assets from 31 December 2016 to 31 December 2018 was primarily due to our profits generated from our operations. The decrease in our net assets as at 30 April 2019 was primarily attributable to the dividend declared during the period.

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Summary of consolidated statements of cash flows

The following table sets forth a summary of our consolidated statements of cash flows for the years/periods indicated:

	Year ended 31 December			Four months ended 30 April	
	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>
Operating cash flows before movements in working capital	69,930	67,721	66,708	27,102	25,725
Net cash generated from/(used in) operating activities	22,804	30,584	(63,836)	29,366	25,332
Net cash (used in)/generated from investing activities	(23,518)	4,170	(3,208)	130	(326)
Net cash generated from/(used in) financing activities	19,550	(14,322)	(43,006)	(35,116)	(49,707)
Net increase/(decrease) in cash and cash equivalents	18,836	20,432	(110,050)	(5,620)	(24,701)
Cash and cash equivalents at the beginning of the year/period	139,656	158,298	181,457	181,457	70,124
Effect of foreign exchange rate changes	(194)	2,727	(1,283)	657	(303)
Cash and cash equivalents at the end of the year/period	<u>158,298</u>	<u>181,457</u>	<u>70,124</u>	<u>176,494</u>	<u>45,120</u>

We recorded net cash outflow from operating activities of HK\$63.8 million for the year ended 31 December 2018, which was primarily attributable to (i) the net cash outflow on the movement in contract assets and liabilities, net of HK\$42.1 million; (ii) decrease in trade, bills and retention payables of HK\$31.3 million; and (iii) income tax paid of HK\$41.1 million, partially offset by the adjusted profit before tax of HK\$59.4 million. We recorded net cash outflow from investing activities of HK\$3.2 million for the year ended 31 December 2018, which was primarily attributable to the increase in time deposits of HK\$2.6 million. We recorded net cash outflow from financing activities of HK\$43.0 million for the year ended 31 December 2018, which was primarily attributable to (i) the repayment of bank borrowings of HK\$54.5 million; and (ii) increase in pledged deposits of HK\$21.2 million, partially offset by the proceeds from new bank borrowings of HK\$47.9 million.

We recorded a net decrease in cash and cash equivalents of HK\$24.7 million for the four months ended 30 April 2019, which was primarily attributable to our net cash outflow for financing activities of HK\$49.7 million as a result of (i) the repayment of bank borrowings of HK\$12.7 million; (ii) the increase in restricted deposits of HK\$10.0 million; and (iii) the payment of dividends to owners of our Company of HK\$45.0 million, partially offset by the proceeds from new bank borrowings of HK\$16.3 million.

SUMMARY

Major financial ratios

The table below sets forth a summary of our major financial ratios as at the dates or for the years/period indicated:

	As at/Year ended 31 December			As at/ Four months ended 30 April 2019
	2016	2017	2018	
Gross profit margin	17.6%	20.5%	19.5%	22.4%
Net profit margin	12.1%	14.3%	21.2%	11.5%
Return on assets	15.5%	13.4%	20.5%	N/A
Return on equity	41.3%	29.9%	36.7%	N/A
Current ratio	1.7 times	2.2 times	3.3 times	3.2 times
Gearing ratio	17.2%	7.7%	5.6%	6.5%

For the definitions of the major financial ratios, please refer to the section headed “Financial information – Major financial ratios” in this prospectus.

DIVIDEND

Dividends during each of the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 represented dividends declared by a company now being part of our Group to its equity holders for the respective periods. On 1 February 2019, Acme Metal declared a dividend of HK\$45.0 million, which had been fully paid by cash out of Acme Metal’s internal funds subsequently.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. The declaration and payment of future dividends will be subject to various factors, including but not limited to our results of operations, financial performance, profitability, business development, prospects, capital requirements and economic outlook. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Cayman Islands Companies Law, including the approval of our Shareholders.

LISTING EXPENSES

The total estimated listing expenses in connection with the Global Offering is approximately HK\$41.9 million (based on the mid-point of the Offer Price of HK\$1.14 per Offer Share and assuming the Over-allotment Option is not exercised), of which (i) approximately HK\$13.8 million has been charged to our consolidated income statements up to 30 April 2019; (ii) approximately HK\$11.6 million is expected to be charged to our consolidated income statements for the eight months ending 31 December 2019; and (iii) approximately HK\$16.5 million is expected to be accounted for as a deduction from equity upon the Listing.

Our Directors consider that our financial results will be affected by the estimated listing expenses in relation to the Global Offering as we expect to recognise approximately HK\$11.6 million in the consolidated income statements for the eight months ending 31 December 2019. Accordingly, the financial performance for the year ending 31 December 2019 is expected to be adversely affected by such listing expenses.

Our Directors would like to emphasise that the estimated amount of listing expenses disclosed above is for reference only. The final amount of listing expenses in relation to the Listing to be recognised in our consolidated income statements for the year ending 31 December 2019 will be subject to adjustment based on audit and the then changes in variables

SUMMARY

and assumptions. Prospective investors should note that our financial performance for the year ending 31 December 2019 is expected to be adversely affected by non-recurring listing expenses, and may or may not be comparable to our financial performance in the past.

REASONS AND BENEFITS FOR LISTING

Our Directors consider that the Listing will provide us with the following benefits: (i) strengthen our financial position and enhance our working capital; (ii) enhance our Group's corporate profile, credibility, reputation and competitiveness; (iii) enhance our staff morale and loyalty; and (iv) ease of raising funds in capital market. For details, please refer to the section headed "Future plans and use of proceeds – Reasons and benefits for Listing" in this prospectus.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.14 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, we estimate that the net proceeds receivable by us from the Global Offering (after deducting underwriting fees and commission and estimated expenses in connection with the Global Offering) will be approximately HK\$106.3 million. We intend to apply such net proceeds in the following manner:

- (i) approximately HK\$59.0 million, representing approximately 55.5% of our net proceeds from the Global Offering, will be used for funding the upfront costs (excluding surety bonds) of our new projects;
- (ii) approximately HK\$24.1 million, representing approximately 22.7% of our net proceeds from the Global Offering, will be used for funding the issuance of surety bonds for our new projects;
- (iii) approximately HK\$8.5 million, representing approximately 8.0% of our net proceeds from the Global Offering, will be used for expanding our workforce by recruiting additional staff;
- (iv) approximately HK\$4.1 million, representing approximately 3.8% of our net proceeds from the Global Offering, will be used for purchasing an ERP system and additional computer equipment; and
- (v) approximately HK\$10.6 million, representing approximately 10.0% of our net proceeds from the Global Offering, will be used for our general corporate purposes and working capital.

GLOBAL OFFERING STATISTICS

The statistics below are based on the assumption that the Over-allotment Option is not exercised.

	Based on the low end of the indicative Offer Price range, being HK\$0.97 per Share	Based on the high end of the indicative Offer Price range, being HK\$1.31 per Share
Market capitalisation of our Shares ^(Note 1)	HK\$504.4 million	HK\$681.2 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ^(Note 2)	HK\$0.66	HK\$0.74

SUMMARY

Notes:

1. The calculation of market capitalisation is based on 520,000,000 Shares expected to be in issue immediately following completion of the Global Offering.
2. For details of the bases and assumptions, please refer to “Unaudited pro forma financial information” in Appendix II to this prospectus.

LITIGATION AND POTENTIAL CLAIMS

As at the Latest Practicable Date, we were involved in certain potential claims regarding employees’ compensation and personal injuries accidents. For further details, please refer to the section headed “Business – Litigation and potential claims” in this prospectus.

NON-COMPLIANCE

During the Track Record Period, we failed to file (i) Form 56B for 27 employees; (ii) Form 56E for 91 employees; and (iii) Form 56F for 112 employees within the prescribed time limit under section 52 of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong). Our Directors confirm that, save as the abovementioned non-compliance, we have complied with all applicable laws and regulations in Hong Kong, being the principal jurisdiction in which we operate, during the Track Record Period and up to the Latest Practicable Date in all material aspects. For further details, please refer to the section headed “Business – Non-compliance” in this prospectus.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on being a one-stop design and build solution service provider for both façade works and BMU system works, and our business model remained unchanged. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had been awarded six and nine design and build projects in relation to façade works and BMU system works, with total awarded contract sum of approximately HK\$471.7 million and HK\$26.3 million, respectively.

As at the Latest Practicable Date, we had 21 and 78 design and build projects on hand (i.e. with engagement confirmed and not yet completed) in relation to façade works and BMU system works, with total awarded contract sum of approximately HK\$1,146.0 million and HK\$437.1 million, of which approximately HK\$274.5 million and HK\$255.2 million had been recognised as revenue up to 30 April 2019, respectively. It is expected that these projects will contribute revenue to us substantially in the amount and schedule as expected subsequent to the Track Record Period.

As at the Latest Practicable Date, we had submitted 48 and 57 tenders for design and build projects in relation to façade works and BMU system works, with a total estimated contract sum of approximately HK\$4,925.4 million and HK\$249.3 million, respectively, which were pending tender results.

We expect a decline in forecast profit for the year ending 31 December 2019 as compared to the year ended 31 December 2018 primarily due to (i) the decrease in other gains, which was primarily attributable to the disposal gain in respect of the Excluded Properties amounted to HK\$47.1 million; and (ii) the increase in listing expenses.

Save for the estimated non-recurring listing expenses as disclosed in the paragraph headed “Listing expenses” in this section, our Directors have confirmed that since 30 April 2019 and up to the date of this prospectus, (i) there was no material adverse change in the market conditions and the industry and the regulatory environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in our business operations, financial position or prospects; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountant’s Report in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of technical terms” in this prospectus.

“Acme Gondola”	Acme Gondola Systems Limited 益美吊船系統有限公司, a company incorporated in Hong Kong with limited liability on 17 January 2001 and a wholly-owned subsidiary of our Company;
“Acme Gondola BVI”	Acme Gondola Systems (BVI) Limited, a company incorporated in the BVI with limited liability on 27 August 2018 and a wholly-owned subsidiary of our Company;
“Acme Metal”	Acme Metal Works (International) Limited 益美工程(國際)有限公司, a company incorporated in Hong Kong with limited liability on 8 December 1989 and a wholly-owned subsidiary of our Company;
“Acme Metal BVI”	Acme Metal Works (BVI) Limited, a company incorporated in the BVI with limited liability on 27 August 2018 and a wholly-owned subsidiary of our Company;
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s) or, where the context requires, any of them relating to the Hong Kong Public Offering;
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company conditionally adopted on 18 October 2019, which shall become effective upon the Listing, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Audit Committee”	the audit committee of our Board;
“Board”	our board of Directors;

DEFINITIONS

“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business;
“BVI”	British Virgin Islands;
“CAGR”	compound annual growth rate;
“Capitalisation Issue”	the issue of 389,999,994 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company upon completion of the Global Offering referred to in the section headed “Statutory and general information – A. Further information about our Group – 4. Written resolutions of our Shareholders passed on 18 October 2019” in Appendix IV to this prospectus;
“Cayman Islands Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, consolidated or otherwise modified from time to time;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant;
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant;
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force;
“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant;

DEFINITIONS

“China” or “PRC” or “Mainland”	the People’s Republic of China, but for the purposes of this prospectus and for geographical reference only (unless otherwise indicated), excluding Hong Kong, Macau and Taiwan;
“close associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified 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, supplemented or otherwise modified from time to time;
“Company” or “our Company”	Acme International Holdings Limited 益美國際控股有限公司, an exempted company incorporated in the Cayman Islands on 17 August 2018 with limited liability;
“Confirmatory Deed in relation to Parties Acting Collectively”	the deed of confirmation dated 20 March 2019, entered into by Mr. Kwan and Mr. Mak, our Controlling Shareholders to confirm, among other things, that they are parties acting collectively in relation to Acme Metal and Acme Gondola, details of which are set out in the section headed “History, development and Reorganisation – Parties acting collectively” in this prospectus;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in the context of this prospectus, means RR, SV, Mr. Kwan and Mr. Mak;
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Deed of Indemnity”	the deed of indemnity dated 18 October 2019 executed by each of our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), details of which are set out in the section headed “Statutory and general information – G. Other information – 1. Tax and other indemnities” in Appendix IV to this prospectus;

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“Deed of Non-competition”	the deed of non-competition dated 18 October 2019 executed by each of our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), details of which are set out in the section headed “Relationship with our Controlling Shareholders – Non-competition Undertaking” in this prospectus;
“Director(s)” or “our Directors”	the director(s) of our Company;
“Dongxing Securities” or “Sole Sponsor” or “Stabilising Manager”	Dongxing Securities (Hong Kong) Company Limited, a licenced corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO;
“EUR”	Euros, the lawful currency of the European Union;
“Exchange Participant(s)”	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange;
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong;
“GDP”	gross domestic product;
“Global Offering”	the Hong Kong Public Offering and the International Offering;
“Glory Sun Securities”	Glory Sun Securities Limited, a licenced corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO;
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider;

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“Group”, “our Group”, “our”, “we” or “us”	our Company and our subsidiaries at the relevant time, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the business carried on by such subsidiaries or, as the case may be, the predecessors;
“HK\$” or “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong;
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be registered in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form 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 ;
“HKAS”	the Hong Kong Accounting Standards issued by the HKICPA;
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the HKICPA;
“HKICPA”	the Hong Kong Institute of Certified Public Accountants;
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited;

DEFINITIONS

“Hong Kong Offer Shares”	the 13,000,000 Shares initially being offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus;
“Hong Kong Public Offering”	the conditional offering of the Hong Kong Offer Shares by our Company for subscription by the public in Hong Kong (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus) at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering” in this prospectus;
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus;
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 24 October 2019 relating to the Hong Kong Public Offering entered into between, among others, our Company, our Controlling Shareholders, Dongxing Securities and the Hong Kong Underwriters;
“Hope Harvest”	Hope Harvest Limited 加安有限公司, a company incorporated in Hong Kong with limited liability on 4 May 2018, which was owned as to 37.5% by Mr. Kwan, 37.5% by Mr. Mak and 25% by Mr. Pong for the purpose of holding the Wai Yip Property;
“Independent Third Party(ies)”	a person or persons or a company or companies which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executive and substantial shareholders (within the meaning of the Listing Rules) of our Company, any of its subsidiaries or any of their respective associates (within the meaning of the Listing Rules);

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“International Offer Shares”	the 117,000,000 Shares initially being offered by our Company for subscription at the Offer Price pursuant to the International Offering together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option, the number of which is subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus;
“International Offering”	the conditional offering of the International Offer Shares for and on behalf of our Company outside the United States, including to institutional, professional and other investors in Hong Kong as described in the section headed “Structure of the Global Offering” in this prospectus;
“International Underwriters”	the underwriters of the International Offering, who are expected to enter into the International Underwriting Agreement;
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering and to be entered into between, among others, our Company, our Controlling Shareholders, Dongxing Securities and the International Underwriters on or about the Price Determination Date;
“Ipsos”	Ipsos Limited, an independent market research agency;
“Ipsos Report”	an independent research report commissioned by our Company and prepared by Ipsos, contents of which are summarised in the section headed “Industry overview” in this prospectus;
“Joint Bookrunners” or “Joint Lead Managers”	Dongxing Securities, Glory Sun Securities, Yue Xiu Securities, VMI Securities and Zhongtai International Securities;
“Sole Global Coordinator”	Dongxing Securities;
“Latest Practicable Date”	15 October 2019, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus;
“Legal Counsel”	Mr. Foster H.C. Yim, barrister-at-law;

DEFINITIONS

“Lending Shareholders”	RR and SV;
“Listing”	listing of our Shares on the Main Board;
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange;
“Listing Date”	the date expected to be on or about 8 November 2019, on which dealings in our Shares first commence on the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time;
“Macau”	the Macau Special Administrative Region of the PRC;
“Main Board”	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange;
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company, conditionally adopted on 18 October 2019, which shall become effective upon the Listing, as supplemented, amended or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus;
“Million Pro”	Million Pro Holdings Limited 萬博控股有限公司, a company incorporated in Hong Kong with limited liability on 7 May 2018, which was owned as to 37.5% by Mr. Kwan, 37.5% by Mr. Mak and 25% by Mr. Pong for the purpose of holding the Wong’s Property;
“MOP”	Macanese pataca, the lawful currency of the Macau Special Administrative Region of the PRC;
“MPF”	the mandatory provident fund under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong);
“Mr. Kwan”	Mr. Kwan Kam Tim, our chairman, executive Director and one of our Controlling Shareholders;

DEFINITIONS

“Mr. Mak”	Mr. Mak Kim Hung, our chief executive officer, executive Director and one of our Controlling Shareholders;
“Mr. Pong”	Mr. Pong Chi Shing;
“Mr. Poon”	Mr. Poon Pui Kit, our project director;
“Nomination Committee”	the nomination committee of our Board;
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$1.31 and expected to be not less than HK\$0.97, such price to be agreed upon by us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) on or before the Price Determination Date;
“Offer Share(s)”	the Hong Kong Offer Share(s) and the International Offer Share(s), where relevant, any additional Shares to be issued and allotted pursuant to the exercise of the Over-allotment Option;
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 19,500,000 additional Shares, representing 15% of the Shares initially being offered under the Global Offering, to cover over-allocations in the International Offering as described in the section headed “Structure of the Global Offering” in this prospectus;
“Pre-IPO Share Options”	the share options granted pursuant to the Pre-IPO Share Option Scheme;
“Pre-IPO Share Option Scheme”	the share option scheme approved and adopted by our Shareholders on 21 March 2019, the principal terms of which are summarised in the section headed “Statutory and general information – E. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus;

DEFINITIONS

“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 agreement to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) on or before the Price Determination Date to record and fix the Offer Price;
“Price Determination Date”	the date expected to be on or about 30 October 2019 but no later than 6 November 2019, on which the Offer Price is to be fixed by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) for the purposes of the Global Offering;
“Regulation S”	Regulation S under the U.S. Securities Act;
“Remuneration Committee”	the remuneration committee of our Board;
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation for the Listing as described in the section headed “History, development and Reorganisation” in this prospectus and in the section headed “Statutory and general information – A. Further information about our Group – 3. Changes in share capital in our subsidiaries” in Appendix IV to this prospectus;
“RMB” and “Renminbi”	the lawful currency of the PRC;
“RR”	RR (BVI) Limited, a company incorporated in the BVI with limited liability on 16 July 2018, which is wholly owned by Mr. Kwan and is one of our Controlling Shareholders;
“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) in the share capital of our Company, with a nominal value of HK\$0.01 each;

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 18 October 2019, the principal terms of which are summarised in the section headed “Statutory and general information – F. Share Option Scheme” in Appendix IV to this prospectus;
“Shareholder(s)”	holders of the Shares from time to time;
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilising Manager and the Lending Shareholders on or about the Price Determination Date;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“SV”	SV (BVI) Limited, a company incorporated in the BVI with limited liability on 16 July 2018, which is wholly owned by Mr. Mak and is one of our Controlling Shareholders;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time;
“Track Record Period”	the period comprising the three financial years ended 31 December 2018 and the four months ended 30 April 2019;
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time;
“Underwriters”	the Hong Kong Underwriters and the International Underwriters;
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
“United States” or “U.S.”	the United States of America;
“US\$” or “U.S. dollars”	the lawful currency for the time being of the United States;

DEFINITIONS

“VMI Securities”	VMI Securities Limited, a licenced corporation to carry on type 1 (dealing in securities) regulated activity as defined under the SFO;
“Wai Yip Property”	the property situated at Block A, 8/F Wai Yip Industrial Building, No. 171 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong;
“WHITE Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s/applicants’ own name(s);
“Wong’s Property”	the property situated at 4/F, Wong’s Building, No. 33 Hung To Road, Kwun Tong, Kowloon, Hong Kong;
“YELLOW Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS;
“Yue Xiu Securities”	Yue Xiu Securities Company Limited, a licenced corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities as defined under the SFO;
“Zhongtai International Securities”	Zhongtai International Securities Limited, a licenced corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO;
“%”	per cent.

Unless otherwise specified, all references to any shareholdings in our Company are based on the assumption that the Over-allotment Option, the Pre-IPO Share Options and the options which may be granted under the Share Option Scheme are not exercised.

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. English translations of official Chinese names are for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this prospectus in connection with our Group and our business. Some of these terms may not correspond to the standard industry definitions.

“BMU system”	building maintenance unit system, commonly known as permanent gondola system or suspended working platform, a system that carries workers, site personnel, or engineers for working at height
“ERP”	enterprise resource planning, business process management software that allows an organisation to use a system of integrated applications to manage the business and automate many back office functions related to technology, services and human resources
“ISO”	International Organization for Standardization
“ISO 9001”	a standard under ISO used for certification or registration and contractual purposes by organisations seeking recognition of their quality management, which specifies the requirement for quality management systems for any organisation that needs to demonstrate its ability to consistently provide products that meet its requisite standards

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward looking statements can be identified by words such as “may”, “will”, “should”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “continue”, “seek”, or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our business strategies, development activities, estimates and projections, expectations concerning future operations, profit margins, profitability, competition and the effects of regulation.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Although these forward-looking statements are made by our Directors after due and careful consideration, these statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties, assumptions and other factors, some of which are beyond our control. Should one or more of the risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our actual results, performance or achievements may be adversely affected and may vary materially from those described or implied by the forward-looking statement. Accordingly, such statements are neither statements of historical fact nor guarantees or assurances of future performance. Hence, you should not place undue reliance on such forward-looking statements.

Important factors that could cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, but are not limited to, regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- any changes in the laws, rules, regulations, policies or practices in the industry, countries or territories in which we operate;
- our business and operating strategies and our ability to implement such strategies;
- our ability to control or reduce costs;
- expected growth of and changes in the industry in which we operate;
- our future business development, results of operations and financial position;
- the future competitive environment of the industry in which we operate;
- our dividend policy; and
- risks identified under the section headed “Risk factors” in this prospectus.

FORWARD-LOOKING STATEMENTS

Any forward-looking statement made by us in this prospectus applies only as at the date on which it is made. Subject to the requirements of applicable laws, rules and regulations and the Listing Rules, we do not have any and undertake no obligation to update or otherwise revise any forward-looking statement in this prospectus, whether as a result of new information, future developments or otherwise. In light of the risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in the section headed “Risk factors” in this prospectus.

RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this prospectus, including our historical financial information and related notes, before you decide to purchase our Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial conditions and prospects would likely suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment. This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this prospectus.

RISKS RELATING TO OUR BUSINESS

Our business operations are dependent on our suppliers for stable and timely supply of quality building materials and BMU systems

We rely on our suppliers for stable and timely supply of quality building materials and BMU systems. We generally place purchase orders with our suppliers on a project-by-project basis and after the contracts with our customers are confirmed. We have not entered into any long-term supply contract with our building materials suppliers. We cannot guarantee that they will continue to supply building materials to us. Further, we rely on two suppliers for the supply of BMU systems. Notwithstanding the long-term agreement entered into with Supplier A, we cannot guarantee such agreement will not be terminated earlier than expected, nor that it will be renewed in the future. We also cannot guarantee that our suppliers will continue to supply building materials and BMU systems to us in a timely manner, nor that the quality of their products will continue to meet our customers' requirements.

If our suppliers cease to supply quality building materials and BMU systems to us, we may have to source from alternative suppliers. However, there is no guarantee that we are able to source building materials and BMU systems of similar quality from alternative suppliers at comparable terms. In such event, our business operations, profitability and financial performance may be adversely affected.

Revenue derived from our five largest customers accounted for a substantial portion of our total revenue, failure to retain business relationship with them or secure new business may affect our results of operation and financial performance

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, revenue derived from our five largest customers accounted for approximately 86.0%, 87.1%, 82.2% and 84.4% of our total revenue, respectively. In particular, our largest customer accounted for approximately 51.2%, 58.2%, 52.0% and 45.1% of our total revenue for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the four months ended 30 April 2019.

RISK FACTORS

We do not enter into any long-term agreement with any of these major customers as the contracts are principally awarded to us on a project-by-project basis through tender submission. Our major customers are not obligated in any way to continue engaging us for new projects in the future at a level similar to that in the past or at all. As such, there is no assurance that we would be able to retain the major customers in the future.

In the event that we are unable to secure new projects from our major customers at a level similar to that in the past, and to secure a similar level of business from other customers on comparable commercial terms such that the loss of revenue from our major customers could be partly or wholly offset, our results of operation, profitability and liquidity could be materially and adversely affected.

In addition, our financial condition and results of operations also depend on the financial condition and commercial success of these major customers. If they are unwilling or unable to make timely payments, we may be unable to recover significant amounts of trade receivables and as such, our cash flows and financial position could be adversely affected.

Our future development and success depends on our ability to secure contracts through tendering which is not recurrent in nature

We typically secure new businesses through direct invitation for tendering by our existing or potential customers. For the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our tender success rate was approximately 9.2%, 10.9%, 12.5% and 38.5% (12.7% on average) in respect of design and build projects for façade works and approximately 42.6%, 60.0%, 42.6% and 63.6% (49.0% on average) in respect of design and build projects for BMU system works, respectively. For further details with regard to the fluctuation in our tender success rates, please refer to the section headed “Business – Operating procedures – Design and build projects – Project tendering stage” in this prospectus. Our future development and success depends on our ability to continue to secure contracts through tendering. However, as we do not enter into long-term agreement with our customers, there is no guarantee that our existing or potential customers will invite us for tendering or award us with new contracts in the future. Further, we may not be able to accurately forecast the number of projects and the relevant contract sum that we may secure in the future. If we fail to secure contracts through tendering, our business, results of operations, sustainability and future prospects will be materially and adversely affected.

The amount of revenue that we are able to derive from a project may be lower than the awarded contract sum due to contract adjustments and recoverability of contract assets

The amount of revenue that we are able to derive from a project may be lower than the awarded contract sum specified in the relevant tender document or contract due to contract adjustments subsequently made by our customers during the course of the project which result in the cancellation of certain provisional works set out in the relevant tender document or contract. As such, there is no assurance that the amount of backlog of our projects on hand will materialise in full eventually. In the event that contract adjustments are made to our projects

RISK FACTORS

on hand resulting in a material drop of our backlog, our liquidity and financial performance may be materially and adversely affected. Further, since whether there will be variation orders depends on the decision of our customers and is not within our control, there can be no assurance that our forecast of revenue and profit will be accurate. This may adversely affect our work planning and development strategy, which in turn may materially and adversely affect our business and financial performance.

Recoverability of contract assets is another factor that may result in the amount of revenue derived from a project being lower than the awarded contract sum specified in the relevant tender document or contract. Contract assets represent works performed but not yet certified and billed. There is no assurance that we will be able to bill the amount of contract assets based on our estimated timeline or to recover the full amount of contract assets. In the event that we are unable to recover the full amount of contract assets in a timely manner, our business and financial performance may be materially and adversely affected.

Failure to accurately estimate our project costs in our tenders may materially and adversely affect our profitability and financial performance

We generally determine the price of our projects on an estimated project costs plus a mark-up margin on a project-by-project basis. The price of a contract is basically fixed once the contract is awarded to us (subject to contract adjustments and variation orders), but the actual project costs are generally incurred subsequently. Therefore, if the actual project costs exceed our estimation, our profitability and financial performance may be materially and adversely affected.

There is no assurance that we can accurately estimate our project costs. We may fail to do so due to poor judgement, miscalculation, or external factors beyond our control. For example, the costs of building materials, the costs of BMU systems and subcontracting charges may increase after we have submitted our tenders. Our projects may take longer time to complete than expected. We may experience accidents or unexpected technical difficulties that may result in additional costs. In such events, our actual project costs may exceed our estimation and our profitability and financial performance may be materially and adversely affected.

Cash flow of our projects may fluctuate

During the Track Record Period, we experienced fluctuation of cash flows generated from operating activities, from a net cash inflow of approximately HK\$22.8 million for the year ended 31 December 2016 and HK\$30.6 million for the year ended 31 December 2017 to a net cash outflow of approximately HK\$63.8 million for the year ended 31 December 2018 and to a net cash inflow of approximately HK\$25.3 million for the four months ended 30 April 2019. The cash inflows from our operating activities were primarily from receipt of payments from contract works, while the cash outflows for our operating activities were primarily attributable to (i) the payment for purchases of building materials, BMU systems and subcontracting services; (ii) the payments of staff costs; and (iii) payments for other working capital needs.

RISK FACTORS

Cash flows from operating activities can be significantly affected by factors such as the timing of collection of trade and retention receivables from our customers and the timing of payment of trade and retention payables to suppliers during the ordinary course of our business, which also primarily accounted for the difference in the net cash generated from operating activities among the years during the Track Record Period. There is no guarantee that we can maintain net cash inflow from operating activities nor our cash flows will not deteriorate.

We receive progress payments with reference to the value of our works completed. Generally, the value of our works completed would be certified by the customer. We cannot assure that our customers will always certify our works in due course in the future, that we will be able to collect receivables from our customers on a timely basis, or that there will not be any future dispute in relation to receivables collection with our customers. There is also no guarantee that the retention money withheld by our customers from our progress payments will be released to us on time and in full. If the abovementioned so happen, our cash flow and liquidity position could be adversely affected. Our projects may then be delayed and our profitability and operations may hence be adversely affected.

We are exposed to credit risk of our customers

We are subject to credit risk of our customers and our profitability and cash flow are dependent on our receipt of timely payments from our customers. As at 31 December 2016, 2017 and 2018 and 30 April 2019, our trade and retention receivables amounted to approximately HK\$96.5 million, HK\$49.3 million, HK\$50.4 million and HK\$30.9 million, respectively. There is no assurance that we will be able to collect our progress payment receivables in a timely manner or at all. If there is any default or delay in payment by our customers, our profitability, working capital and cash flow may be adversely affected. It may also adversely affect our financial ability to support our projects on hand and to secure new projects. If any of our customers face unexpected situations, including, but not limited to, financial difficulties, we may not be able to receive full or any payment of uncollected sums or enforce any judgement debts against such customers. Default or delay in payment by our customers may materially and adversely affect our business, financial condition, results of operations and prospects.

We are exposed to interest rate and exchange rate risks

We rely on bank borrowings to meet our financial needs that arise from time to time in our daily operation, such as settling payments to our suppliers and procuring the issue of surety bond. We are exposed to cash flow interest rate risk through the impact of rate changes on mainly the interest bearing bank balances and borrowings at variable interest rates. Our cash flow interest rate risk mainly concentrates on the fluctuation of interest rates arising from our bank borrowings. Should the interest rates increase in the future, our results of operation and financial performance may be adversely affected.

RISK FACTORS

We also have certain trade payables which are denominated in EUR and RMB, as some of our building materials and BMU systems suppliers are located in Spain and the PRC. Fluctuation in foreign exchange rate, particularly the rate of EUR and RMB against HK\$ may adversely affect the amount of our trade payables and the costs of purchasing building materials and BMU systems in the future. Further, we have certain pledged deposits denominated in EUR and RMB. For the year ended 31 December 2016, we recorded a net foreign exchange loss of approximately HK\$1.4 million, which primarily arose from (i) the revaluation of our pledged deposits denominated in RMB as RMB depreciated during the same year and (ii) the settlement of our trade payables denominated in EUR as EUR appreciated during the same year. For the year ended 31 December 2018, we recorded a net foreign exchange loss of approximately HK\$2.6 million, which primarily arose from the settlement of our trade payables denominated in EUR as EUR appreciated during the same year. In the event that any unfavourable fluctuation in foreign exchange rate occurs, our results of operations as well as financial position may be adversely affected.

Our business plans may not be implemented successfully which may adversely affect our prospects

Our business plans include strengthening our financial capacity and expanding our workforce to undertake more design and build projects and enhancing our operational efficiency by purchasing an ERP system, such that we would be capable to capture more business opportunities. For more details, please refer to the section headed “Future plans and use of proceeds” in this prospectus. However, there is no assurance that we can successfully implement our business plans. The implementation of our business plans may also be hindered by other factors that are beyond our control, such as the general market conditions, relevant government policies and new market entrants. In the event that we fail to implement our business plans, our results of operation, financial performance and future prospects could be adversely affected.

If our revenue does not increase proportionately with our staff costs in light of our expansion plan, our profitability, liquidity and financial position may be materially and adversely affected

We plan to recruit additional staff to cope with our expansion plan. We intend to apply approximately HK\$8.5 million, representing approximately 8.0% of our net proceeds from the Global Offering, for expanding our workforce by recruiting 14 additional staff members. For details, please refer to the section headed “Future plans and use of proceeds – Use of proceeds” in this prospectus.

As a result, we may face increased staff costs as compared to our staff costs incurred during the Track Record Period. The increase in staff costs may have a negative impact on our net profit margin and liquidity. We cannot assure you that our revenue will increase proportionately with our staff costs under our expansion plan. If our revenue does not increase proportionately with our staff costs, our profitability, liquidity and financial position may be materially and adversely affected.

RISK FACTORS

Mismanagement or delay of our projects will materially affect our reputation and also our financial performance as penalties and/or additional costs may be incurred

Any delay in our project, whether it is on stage progress or completion, may adversely affect our receipt of progress payments, operational cash flow and financial performance. A delay in our project can be due to various factors, including but not limited to, weather conditions, safety incidents and other factors that are beyond our control.

Our projects are generally undertaken outdoor and may hence be affected by adverse weather conditions, such as rainstorms, tropical cyclones and continuous rain. These adverse weather conditions may cause difficulties for us to complete our projects on schedule. Any delay in completion of our projects may lead to penalties against us and may adversely affect our results of operation. We may also have to subsequently accelerate work progress in order to catch up to meet the scheduled time for completion, inevitably incurring additional costs.

Furthermore, we are subject to other construction risks, such as fire and suspension of water and electricity supply. These risks may not only affect work progress but also pose risks on building materials and equipment kept at the construction sites. Any loss arising from these risks may adversely affect our results of operation.

In addition, there may be a lapse of buffer time for us to complete a project and receive full payments before the commencement of subsequent projects, which may adversely affect our liquidity position. If a delay in completion of our project is caused by us, we are liable to pay damages to our contracting parties as stipulated in the contracts, as well as the additional costs incurred. Our financial performance and reputation may hence be negatively affected, which could adversely affect our future business opportunities.

We rely on subcontractors to carry out part of the works in our projects. Under-performance by our subcontractors or unavailability of subcontractors may adversely affect our operations, profitability and reputation

We subcontract the installation works and fabrication works of our projects to subcontractors. There is no assurance that the work quality of our subcontractors can always meet our or our customers' requirements. In addition, we are exposed to legal liabilities if our subcontractors under-perform, or if our subcontractors violate any laws, rules, or regulations in relation to safety, health and environmental matters. In such events, our reputation, operations and financial position may be adversely affected.

Further, there is no assurance that we can always identify and engage suitable subcontractors when required, or be able to engage the subcontractors at acceptable fees and terms of service. As a result, our operations, financial performance and reputation may be adversely affected.

RISK FACTORS

Our success significantly depends on our management team and our ability to attract and retain additional staff

We depend on the efforts and skills of our management team. Each of our executive Directors, Mr. Kwan and Mr. Mak, has more than 30 years of experience in the construction industry in Hong Kong and has been managing our Group since its establishment. Under their leadership, we have established long-term business relationship with our major customers and major suppliers. Other members of our management team also possess the requisite industry knowledge and experience in project execution as well as expertise in façade works industry and BMU system works industry.

The loss of any executive Director or member of our management team could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. Our success also depends on our ability to identify, attract, recruit, train and retain additional staff with the requisite industry expertise. Our design and building projects are complex in nature and involve the use of multiple types of building materials. As such, we rely on experienced staff to execute our design and building projects.

We may face competition from our competitors in attracting, recruiting and retaining our staff. Failure to recruit and retain the necessary personnel or the loss of a significant number of staff at any time could adversely affect our operations, business and prospects.

Industrial actions may adversely affect our business

We rely on our employees and the workers of our subcontractors to carry out our projects. There is no guarantee that they will not initiate industrial actions, such as strikes, which may cause interruption to our operation. In such event, we may not be able to complete our works on time, which in turn may cause us to incur additional costs and may damage our reputation. It may also delay our receipt of progress payments and adversely affect our cash flow. We may also be liable to pay damages to our customers for failure to complete our projects within the time limit stipulated under the contracts. There is also no guarantee that other workers in the same construction sites where our projects are located will not initiate industrial actions, which may result in interruption to the overall development progress, including our work progress. In such event, our business operation and financial condition may be adversely affected.

We may be liable for significant defects in our projects

We generally provide our customers with a defects liability period after practical completion of the project. The defects liability period is usually 12 to 36 months for façade works and 12 to 24 months for BMU system works, subject to the terms as set out in the contracts. During the defects liability period, we are responsible for rectifying defects relating to our works at our own costs upon request from our customers. There is no guarantee that our works are free from defects. There is also no guarantee that we can fully recover the rectification costs from our subcontractors even if they are responsible for the defects. If the defects are significant, we may need to bear substantial additional costs which may adversely affect our results of operation and our reputation.

RISK FACTORS

We are exposed to potential warranty claims in respect of our façade works

We generally provide our customers with a warranty period for our façade works. The warranty period is usually 10 to 15 years after practical completion of the project or expiry of the defects liability period. During the warranty period, we are subject to potential warranty claims. We could be required to replace or repair the defects of our work at our own cost and compensate our customers for losses or damages caused by the defects. We may also have to incur costs to defend ourselves in the event where claims or legal proceedings are instituted against us. This may adversely affect our reputation. Even if we can make claims against our subcontractors for the defects of their work, we may not be able to fully recover the target amount from our subcontractors. Thus, we may need to compensate our customers at our own costs and our reputation, business, financial condition and results of operations may be adversely affected.

We may be exposed to non-compliance incidents, disputes, claims or litigations

Our business operations are subject to relevant applicable laws, rules and regulations. For further details, please refer to the section headed “Regulatory overview” in this prospectus. In the event that we fail to comply with such laws, rules and regulations, we may be subject to prosecution or fines, which may materially affect our financial performance and reputation. During the Track Record Period, we failed to file (i) Form 56B for 27 employees; (ii) Form 56E for 91 employees; and (iii) Form 56F for 112 employees within the prescribed time limit under section 52 of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong). For details of such non-compliance, please refer to the section headed “Business – Non-compliance”. We cannot guarantee that we will not be penalised for such non-compliance, nor that we will not be involved in any non-compliance in the future. There may also be changes in the existing policies by the government authorities in relation to the laws, rules, regulations and licencing regimes regarding the construction industry, which may affect our operations and cause a material adverse effect on our business and results of operation.

Besides, we may also be involved in claims or proceedings relating to warranty, indemnification or liability claims, contractual disputes with our customers or subcontractors, labour disputes, personal injuries or other legal issues. Legal proceedings can be time-consuming, expensive, and may divert management’s attention away from the operations of business. Moreover, if there is any significant claims raised by our customers or other interested parties against us for defect liability or any default or failure in relation to our works, we may incur significant expenses in rectifying such defects or settling such claims. As such, any claims or legal proceedings to which we may become a party in the future may have a material and adverse impact on our business operations, financial condition and reputation.

RISK FACTORS

Our insurance may not fully cover all the potential losses and liabilities arising from our business

Our business is generally covered by the employees' compensation insurance and contractors' all risks insurance taken out by ourselves, the main contractors and/or the property developers. However, there is no assurance that the insurance policies are sufficient to cover all potential risks, losses and costs incurred from damages or liabilities in relation to our business. If a claim arises where the amount involved is not fully covered by our insurance, we may incur additional costs and suffer losses which may adversely affect our financial position.

In addition, we cannot guarantee that third parties or workers at the construction site will always comply with the safety measures and procedures, and that there will be no violations of relevant rules, laws or regulations on the part of our subcontractors. The non-compliance with safety measures and procedures may cause serious personal injuries, property damage or fatal accidents, which may lead to interruption of our operations, damage to our reputation and litigation against us. There may be adverse effect on our financial conditions to the extent that these mishaps are not covered by our insurance policies.

There is also no guarantee that the insurers will fully compensate us for all potential losses, damages or liabilities relating to our business operations. We cannot control if there is reduction or limitation of insurance coverage by insurers upon the expiry of the current policies. We cannot guarantee that we can renew our policies on similar or other acceptable terms, nor that the insurance premiums will not rise. We may also be required by law or customers to obtain additional insurance coverage. Any further increase in insurance costs or reduction in coverage may materially and adversely affect our business operations and financial results.

We may fail to obtain or renew the requisite licences, permits or qualifications, which will affect our ability to obtain new projects and its financial position and prospects

As at the Latest Practicable Date, we had a variety of licences, permits and qualifications for various types of works, details of which are set out in the sections headed "Business – Licences and permits" and "Business – Quality control" in this prospectus. These licences, permits and qualifications have expiry dates. There is no assurance that we can renew these licences, permits and qualifications in a timely manner or at all. There is also no assurance that the requirements for obtaining or renewing these licences, permits and qualifications will not change unfavourably to us. If we are unable to renew or otherwise maintain our licences, permits or qualifications, we may encounter difficulties while pitching for new projects. In such event, our financial position and prospects would be materially and adversely affected.

RISK FACTORS

Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, our revenue was approximately HK\$481.0 million, HK\$423.8 million, HK\$466.1 million and HK\$170.7 million, respectively, while our net profit was approximately HK\$58.1 million, HK\$60.4 million, HK\$98.9 million and HK\$19.7 million, respectively. However, such historical financial information is an analysis of our past performance only. As our future performance will depend on our capability to secure new contracts, maintain relationships with our customers and keep our costs at the current level, our historical financial results may not necessarily reflect our financial performance in the future. We cannot assure you that our historical level of revenue and profitability can be sustained. If we experience any stagnant or negative growth in the future, our profitability will be adversely affected.

Our financial assets could be adversely affected by external factors such as general economic and market conditions

We hold financial assets at fair value through other comprehensive income that comprise certain Hong Kong listed equity securities. As at 30 April 2019, the fair value of such securities amounted to approximately HK\$30.3 million. For details, please refer to the section headed “Financial information – Description of certain items in our consolidated statements of financial position – Financial assets at fair value through other comprehensive income” in this prospectus. The fair value of such securities and the amount of dividend income derived from such securities, if any, are subject to external factors that are out of our control, such as the performance of the relevant listed company and the general economic and stock market conditions. There is no guarantee that the fair value of such securities will not decrease, nor that we will receive any dividend income from such securities in the future. If such risks materialise, our financial condition may be adversely affected.

Dividends declared in the past may not be indicative of the dividends in the future

Any declaration of dividends proposed by our Directors and the amount of any such dividends will depend on various factors, including, without limitation, the results of operations, financial condition, future prospects and other factors which our Directors may determine are important. For further details of the dividends of our Company, please refer to the section headed “Financial information – Dividends and distributable reserve” in this prospectus. We cannot guarantee if and when dividends will be paid in the future.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY WE OPERATE

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

The costs of some key building materials used in our projects, such as steel and glass, have demonstrated a general increasing trend in recent years. For further details, please refer to the sections headed “Industry overview – Overview of the façade works industry in Hong Kong – Price trend of major cost components” and “Industry overview – Overview of the BMU system works industry in Hong Kong – Price trend of major cost components”. Any price fluctuation of such cost components may adversely affect our profitability and financial performance.

In addition, the construction industry in Hong Kong is suffering from labour shortage, which is exacerbated by an ageing workforce and the lack of skilled talent. This is mainly due to the growing construction industry in Hong Kong and the shortage of experienced and skilful labour as many skilled construction workers are approaching the age of retirement while young people are reluctant to join the construction industry. As a result of labour shortage, the average wage of construction workers in the façade works industry and the BMU system works industry in Hong Kong keeps increasing. If the costs of construction workers and building materials used in our projects increase in the future, or if we are unable to hire sufficient workers to carry out our projects, our business operations and financial conditions could be materially and adversely affected.

We are dependent on market conditions, trends in the façade works industry and BMU system works industry and relevant government policies in Hong Kong which may change adversely

During the Track Record Period, all of our projects were located in Hong Kong. The future growth and level of profitability of the façade works industry and the BMU system works industry in Hong Kong are likely to depend primarily upon the continued availability of major construction projects, which in turn likely depend on, amongst others, the prospects of the property market, the government’s policies on the construction industry, the investment of property developers and the general conditions and prospects of Hong Kong’s economy. Please refer to the section headed “Industry overview” in this prospectus for more details. These factors may affect the demand for façade works and BMU systems. If the demand for façade works and BMU system works in Hong Kong deteriorates, or if Hong Kong experiences a property market downturn, our results of operations and profitability could be adversely affected.

RISK FACTORS

Any changes in environmental requirements may increase our compliance costs

Our operations at construction sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control and waste disposal. For further details of the regulatory requirements, please refer to the section headed “Regulatory overview – Environmental protections” in this prospectus. The government may revise such regulations from time to time. Any changes to such regulations and guidelines may increase cost and burden in complying with them.

We operate in a competitive industry

The construction industry in Hong Kong, including the façade works industry and BMU system works industry, has many participants and is highly competitive. New participants could enter the industry if they have the appropriate skills, local experience, necessary business network and capital and are granted the requisite licences by the relevant regulatory bodies. We face competition from other subcontractors in the submission of tender for project contracts. Increased competition may lead to lower profit margins and loss of market share, and adversely affect our profitability and results of operation.

RISKS RELATING TO THE GLOBAL OFFERING AND THE SHARES

The trading volume and share price of the Shares may fluctuate

The market price and trading volume of the Shares may be highly volatile and fluctuate substantially as a result of many factors, some of which are beyond our control, including:

- actual or anticipated fluctuations in our revenue, earnings or cash flow;
- changes in the analysis and recommendations of securities analysts;
- announcements of new investment, joint ventures, strategic alliances or acquisitions made by our Company or our competitors;
- industrial or environmental accidents we encounter;
- loss of key personnel;
- litigation or fluctuation in the market prices for our services;
- the liquidity of the market for the Shares;
- restrictive regulations or limitations imposed on our industry by relevant authorities; and
- the general economic, market conditions and other factors affecting the construction, façade works and BMU system works industries.

RISK FACTORS

Any such developments may result in large and sudden changes in the volume and market price at which the Shares will be trading. There are no assurances that these developments will or will not occur in the future and it is difficult to quantify the impact on us and on the trading volume and market price of the Shares. In addition, the Shares may be subject to changes in the market price, which may not be directly related to our financial or business performance.

There has not been any prior public market for the Shares and an active trading market may not develop

Prior to the Listing, there is no public market for the Shares. The approval for the listing of, and the permission to deal in, the Shares on the Stock Exchange does not guarantee the development of an active public market or the sustainability thereof following the completion of the Global Offering.

As mentioned in the paragraph headed “Risks relating to the Global Offering and the Shares – The trading volume and share price of the Shares may fluctuate” in this section, there are factors that could cause the market price and trading volume of the Shares to change substantially. As such, the Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Global Offering, and there is no assurance the trading price of the Shares will not decline below the Offer Price.

In addition, both the market price and liquidity of the Shares could be adversely affected by factors which are beyond our control and unrelated to the performance of our business, especially when the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, you may not be able to sell the Shares at or above the Offer Price.

Any disposal of a substantial number of the Shares by the Controlling Shareholders in the public market could adversely affect the market price of the Shares

The market price and liquidity of the Shares may be highly volatile. There is no guarantee that the Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. We cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders, or that the availability of the Shares for sale by any of the Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

RISK FACTORS

Existing Shareholders' shareholding may experience dilution if our Company issues additional Shares in the future

Our Company may issue additional Shares upon exercise of the Pre-IPO Share Options and any options that may be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue of new Shares would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, our Company may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

You may face difficulties in protecting your interests under Cayman Islands laws

Our Company's corporate affairs are governed by, amongst others, the Articles of Association, the Cayman Islands Companies Law and common law. The rights of the Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to our Company are to a large extent governed by the Cayman Islands Companies Law, common law and the Articles of Association. Common law is derived in part from comparatively limited judicial precedent in the common law jurisdictions, which may have persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. For further details, please refer to "Summary of the constitution of our Company and Cayman Islands Companies Law" in Appendix III to this prospectus.

RISKS RELATING TO THIS PROSPECTUS

Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon

Certain facts, statistics, and data presented in the section headed "Industry overview" in this prospectus and elsewhere in this prospectus relating to the Hong Kong market of the construction industry have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties and from the Ipsos Report prepared by Ipsos. The information in the section headed "Industry overview" in this prospectus has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective affiliates, directors or advisers or any other persons or parties involved in the Global Offering (except Ipsos Limited), and no representation is given as to its completeness, accuracy or fairness. Our Directors believe that the sources of the information are appropriate

RISK FACTORS

sources for such information, and the Sole Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, it cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

Investors should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles, other media and/or research reports regarding us, its business, its industry and the Global Offering

There may be press and media coverage regarding us or the Global Offering, which may include certain events, financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any other information not contained in this prospectus. We do not accept any responsibility for any such press or media coverage and makes no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus and the Application Forms, we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to subscribe for and/or purchase the Shares, you should rely only on the financial, operational and other information included in this prospectus and the Application Forms.

Our future results could differ materially from those expressed or implied by the forward-looking statements

Included in this prospectus are various forward-looking statements that are based on various assumptions. Our future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking statements” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information about our Group. 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 GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which is part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. Details of the terms of the Global Offering are described in the section headed "Structure of the Global Offering" in this prospectus.

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 Global Offering 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 Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, supervisors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to apply for Hong Kong Offer 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 at any subsequent time.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

UNDERWRITING

The Listing is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters. The International Offering is managed by the Sole Global Coordinator and is expected to be underwritten by the International Underwriters. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to the agreement on the Offer Price between us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters). If, for any reason, the Offer Price is not agreed upon amongst us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), the Global Offering will not proceed and will lapse. Further details about the Underwriters and the underwriting arrangements are contained in the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares in any jurisdictions 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 jurisdictions 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. The distribution of this prospectus and the offering 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 and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares are not under public offering or sale, directly and indirectly, in China or the U.S.

Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, 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.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the approval for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including Shares to be issued pursuant to the Capitalisation Issue and the Global Offering, additional Shares which may be issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Options and any options that may be granted under the Share Option Scheme) on the Main Board.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Except that we have applied for the Listing to the Stock Exchange, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

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 approval for 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.

REGISTER OF MEMBERS AND STAMP DUTY

The principal register of members of our Company will be maintained by its principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and the branch register of members of our Company will be maintained by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong. All Shares to be issued pursuant to the Global Offering, the Capitalisation Issue and any Shares to be issued upon exercise of the Over-allotment Option, the Pre-IPO Share Options or any option which may be granted under the Share Option Scheme will be registered on the branch register of members of our Company in Hong Kong. Only Shares registered on the branch register of members of our Company in Hong Kong may be traded on the Stock Exchange.

No stamp duty is payable by applicants in the Global Offering.

Dealings in our Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong is 0.2% of the consideration or, if higher, the market value of our Shares being sold or transferred.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on the branch register of members of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder, or if joint Shareholders, to the first-named therein in accordance with the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, our Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, our 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 our Shares on the Stock Exchange or any other date as 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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 stock brokers or other professional advisers for details of the settlement arrangements that may affect their rights and interests. All necessary arrangements have been made for our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in our Shares. None of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, dealing in, or exercising any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the section headed “Structure of the Global Offering – Stabilisation” in this prospectus.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 8 November 2019, it is expected dealings in our Shares on the Main Board of the Stock Exchange will commence at 9:00 a.m. on Friday, 8 November 2019. Shares will be traded in board lots of 2,500 Shares each.

The stock code for our Shares is 1870.

Our Company will not issue any temporary documents of title.

Dealings in our Shares on the Stock Exchange will be effected by participants of the Stock Exchange whose bid and offer quotations will be available on the Stock Exchange’s teletext page information system. Delivery and payment for Shares dealt on the Stock Exchange will be effected two trading days following the transaction date (“T+2”). 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. Only certificates for Shares registered on the branch share register of our Company in Hong Kong will be valid for delivery in respect of transactions effected on the Stock Exchange. If you are unsure about the procedures for dealings and settlement arrangement on the Stock Exchange on which our Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to apply for Hong Kong Offer Shares” in this prospectus and on the relevant Applications Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

ROUNDING

Certain amounts and percentage figures in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Executive Directors		
Mr. Kwan Kam Tim (關錦添)	Flat D, 1/F, Block 4 Beverly Villas 16 La Salle Road Kowloon Tong Hong Kong	Chinese
Mr. Mak Kim Hung (麥劍雄)	2/F, WaiGa Mansion 6 Hawthorn Road Happy Valley Hong Kong	Chinese
Ms. Leung Ng Mui May (梁五妹)	Flat C, 6/F, Block 6 On Ning Garden Tseung Kwan O Hong Kong	Chinese
Independent non-executive Directors		
Mr. Keung Kwok Hung (姜國雄)	Flat C, 9/F Panorama Gardens 103 Robinson Road Mid-Levels Hong Kong	Chinese
Mr. Tse Wai Kit (謝偉傑)	Flat 16H, Block 17 Sceneway Garden Lam Tin Hong Kong	Chinese
Prof. Lau Chi Pang, <i>J.P.</i> (劉智鵬)	Room 801, 8/F Chung Shun Hall Lingnan University 8 Castle Peak Road Tuen Mun Hong Kong	Chinese

For further details about our Directors and senior management members, please refer to the section headed “Directors and senior management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

**Dongxing Securities (Hong Kong)
Company Limited**

(A licenced corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activity as defined under the SFO)

Room 6805-6806A, 68/F

International Commerce Centre

1 Austin Road West

Kowloon

Hong Kong

Sole Global Coordinator

**Dongxing Securities (Hong Kong)
Company Limited**

(A licenced corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activity as defined under the SFO)

Room 6805-6806A, 68/F

International Commerce Centre

1 Austin Road West

Kowloon

Hong Kong

Joint Bookrunners

**Dongxing Securities (Hong Kong)
Company Limited**

(A licenced corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activity as defined under the SFO)

Room 6805-6806A, 68/F

International Commerce Centre

1 Austin Road West

Kowloon

Hong Kong

Glory Sun Securities Limited

(A licenced corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO)

Unit 1703-06, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Yue Xiu Securities Company Limited

(A licenced corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities as defined under the SFO)

13/F, Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

VMI Securities Limited

(A licenced corporation to carry on type 1 (dealing in securities) regulated activity as defined under the SFO)

Suite 2308, 23/F Tower 1, Lippo Centre
89 Queensway
Hong Kong

Zhongtai International Securities Limited

(A licenced corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO)

19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

Dongxing Securities (Hong Kong) Company Limited

(A licenced corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activity as defined under the SFO)

Room 6805-6806A, 68/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Glory Sun Securities Limited

(A licenced corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO)

Unit 1703-06, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Yue Xiu Securities Company Limited

(A licenced corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities as defined under the SFO)

13/F, Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

VMI Securities Limited

(A licenced corporation to carry on type 1 (dealing in securities) regulated activity as defined under the SFO)

Suite 2308, 23/F Tower 1, Lippo Centre
89 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Zhongtai International Securities Limited

(A licenced corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO)

19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Co-Managers

Lego Securities Limited

(A licenced corporation to carry on type 1 (dealing in securities) regulated activity as defined under the SFO)

Room 301, 3/F, China Building
29 Queen's Road Central
Central
Hong Kong

KGI Capital Asia Limited

(A licenced corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activity as defined under the SFO)

41/F, Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

Legal advisers to our Company

As to Hong Kong law:

Eversheds Sutherland

37/F, One Taikoo Place
Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

As to Hong Kong law:

Mr. Foster H.C. Yim

Barrister-at-law
3102, Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<p><i>As to Cayman Islands Law:</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands</p>
Legal advisers to the Sole Sponsor and the Underwriters	<p><i>As to Hong Kong law:</i> Sidley Austin Level 39 Two International Finance Centre 8 Finance Street Central Hong Kong</p>
Auditor and reporting accountant	<p>PricewaterhouseCoopers <i>Certified Public Accountants</i> 22/F, Prince's Building Central Hong Kong</p>
Compliance adviser	<p>Dongxing Securities (Hong Kong) Company Limited Room 6805-6806A, 68/F International Commerce Centre 1 Austin Road West Kowloon Hong Kong</p>
Industry consultant	<p>Ipsos Limited 6/F, China Life Center Tower A One HarbourGate 18 Hung Luen Road Hung Hom Hong Kong</p>
Receiving bank	<p>Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central Hong Kong</p>

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Units A & B, 12/F Yin Da Commercial Building No. 181 Wai Yip Street Kwun Tong Kowloon Hong Kong
Company's website	<u>www.acmehld.com</u> <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	Mr. Lung Shei Kei (龍瑞麒) (HKICPA) Units A & B, 12/F Yin Da Commercial Building No. 181 Wai Yip Street Kwun Tong Kowloon Hong Kong
Authorised representatives	Mr. Mak Kim Hung (麥劍雄) Units A & B, 12/F Yin Da Commercial Building No. 181 Wai Yip Street Kwun Tong Kowloon Hong Kong Mr. Lung Shei Kei (龍瑞麒) Units A & B, 12/F Yin Da Commercial Building No. 181 Wai Yip Street Kwun Tong Kowloon Hong Kong
Audit committee	Mr. Keung Kwok Hung (姜國雄) <i>(Chairman)</i> Mr. Tse Wai Kit (謝偉傑) Prof. Lau Chi Pang, J.P. (劉智鵬)

CORPORATE INFORMATION

Remuneration committee

Prof. Lau Chi Pang, J.P. (劉智鵬)
(*Chairman*)
Mr. Mak Kim Hung (麥劍雄)
Mr. Tse Wai Kit (謝偉傑)

Nomination committee

Mr. Tse Wai Kit (謝偉傑) (*Chairman*)
Mr. Kwan Kam Tim (關錦添)
Mr. Keung Kwok Hung (姜國雄)

**Principal share registrar and transfer
office in the Cayman Islands**

**Conyers Trust Company (Cayman)
Limited**
Cricket Square, Hutchins Drive
PO 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

Citibank N.A., Hong Kong Branch
One Bay East Branch
E1, G/F, Citi Tower
One Bay East
83 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

**Industrial and Commercial
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INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the Ipsos Report prepared by Ipsos, which was commissioned by us. We believe that the sources of the information and statistics in this section are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We have no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information in this section has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective affiliates, directors or advisers or any other persons or parties involved in the Global Offering (except Ipsos Limited), and no representation is given as to its completeness, accuracy or fairness. Accordingly, you should not place undue reliance on the information in this section.

SOURCE AND RELIABILITY OF INFORMATION

We have commissioned Ipsos, an independent industry research company, to conduct an analysis of, and to report on, the façade works and BMU system works industries in Hong Kong at a fee of HK\$535,000 and our Directors consider that such fee reflects market rates. The information in the Ipsos Report is derived from data and intelligence obtained by (i) conducting desk research covering official government and regulatory statistics, industry reports and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (ii) performing client consultation to obtain background information of our Group; and (iii) conducting primary research by interviewing key stakeholders and industry experts. The information and data gathered by Ipsos have been analysed, assessed and validated using Ipsos' in-house analysis models and techniques. The methodology used by Ipsos is based on information sourced from multiple levels, which allows such information to be cross-referenced for accuracy.

Ipsos is an independent market research company wholly-owned by Ipsos Group S.A.. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,000 personnel worldwide across 88 countries. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

Our Directors confirmed that, as at the Latest Practicable Date, after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section. Except as otherwise noted, all of the information, data and forecast contained in this section are derived from the Ipsos report, various official government publications and other publications.

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

The following assumptions are used in the Ipsos Report: (1) It is assumed that the global economy remains in steady growth across the period from 2019 to 2023. (2) The external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the façade works and the BMU system works in Hong Kong from 2019 to 2023.

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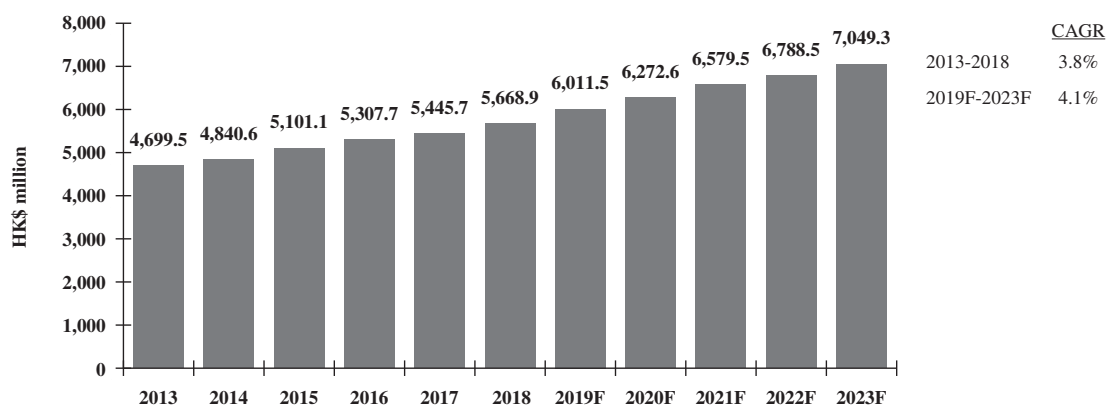
The following parameters are used in the market sizing and forecasting model in the Ipsos Report: (1) GDP and GDP growth rate in Hong Kong from 2013 to 2018 and forecast from 2019 to 2023. (2) Historical average wage trend for workers in the construction industry in Hong Kong from 2013 to 2018 and forecast from 2019 to 2023. (3) Historical price trend of aluminium, steel, glass, steel plate and steel beam with I-shaped cross-section (“**I-beam**”) from 2013 to 2018 and forecast from 2019 to 2023. (4) Gross output value of construction works performed at constructions sites in Hong Kong from 2013 to 2018 and forecast from 2019 to 2023. (5) Gross output value of the façade works industry in Hong Kong from 2013 to 2018 and forecast from 2019 to 2023. (6) Gross output value of the BMU system works industry in Hong Kong from 2013 to 2018 and forecast from 2019 to 2023.

OVERVIEW OF THE FAÇADE WORKS INDUSTRY IN HONG KONG

“Façade” is a general term referring to the exterior side of a building, which serves as an important component setting the design and the tone of the building. To serve as or are a part of the external surface of a building, façade usually made up of different materials, such as glass, granite, aluminium plate and other cladding materials, or a combination of different materials. The demand for the façade works mainly comes from new buildings as façade are installed as the external surface of a building. Since façade does not only serve as exterior decorative features of the buildings but also helps to reduce reflectance and energy consumption of the buildings, there is a rising preference to install modern and sophisticated façade systems on both residential and commercial buildings, as well as infrastructures. Apart from the demand for new installation of façade, maintenance and renovation of façade is one of the market driver of façade works industry in Hong Kong as well.

Gross output value of the façade works industry

The graph below sets forth the gross output value of façade works industry in Hong Kong from 2013 to 2018 and forecast from 2019 to 2023:



Note: F denotes forecast figure.

Sources: Ipsos research and analysis

The gross output value of the façade works industry increased from HK\$4,699.5 million in 2013 to HK\$5,668.9 million in 2018, at a positive CAGR of approximately 3.8%. The increase was mainly driven by the rising demand for façade works from (i) infrastructure projects, and (ii) residential and commercial buildings.

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During the forecast period, the gross output value of the industry is expected to continue its rising trend at a CAGR of approximately 4.1%. The expected growth can be attributed to the expected increase in (i) the land supply for public and private residential buildings under the development plan for North East New Territories New Development Areas; (ii) conversion of government properties into commercial use; and (iii) the infrastructure works of the Kwu Tung North/Fanling North and Hung Shui Kiu Development under the pipeline. According to the 2019-20 Budget Speech, the forecast production of private housing units will be approximately 93,000 units during 2020 and 2023, with an estimated annual production of approximately 18,800 units on average.

Price trend of major cost components

The following table shows the major cost components including the average price of key materials used and the average daily wage for workers engaging in the façade works industry in Hong Kong from 2013 to 2018 and forecast from 2019 to 2023:

	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F	CAGR 2013-2018	CAGR 2019-2023
Aluminium ¹ (HK\$ per tonne)	16,273.6	16,461.7	14,479.5	13,755.1	13,985.1	15,671.0	16,321.3	16,504.3	16,687.2	16,870.2	16,954.1	-0.8%	1.0%
Steel ² (HK\$ per tonne)	10,277.7	10,592.9	10,360.9	10,162.4	12,192.1	14,244.0	13,452.5	13,624.5	13,801.7	13,963.0	14,118.7	6.7%	1.2%
Glass ³ (HK\$ per m ²)	151.0	153.4	157.0	157.0	157.0	161.0	160.2	162.3	164.2	166.1	167.8	1.3%	1.2%
Average wage ⁴ (HK\$ per day per worker)	1,140.7	1,298.5	1,356.5	1,429.6	1,442.6	1,444.2	1,443.7	1,461.9	1,504.1	1,546.5	1,595.6	4.8%	2.5%

Notes: (1) Aluminium above refers to the aluminium alloy imported to Hong Kong; (2) Prices of steel above involved calculations of the average wholesale price of (i) steel plates, (ii) steel angles and (iii) steel flats; (3) Glass above refers to clear sheet glass, 5mm thick; (4) Wages of metal worker, glazier, general workers and labourers, structural steel welder, rigger and bamboo scaffolder were included for the above calculation.

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

The price of aluminium decreased at a negative CAGR of approximately 0.8% from 2013 to 2018. The decrease in aluminium price was primarily due to a drop in the demand in Hong Kong. The amount of aluminium imported in Hong Kong decreased from 14,612.3 tonnes in 2013 to 5,167.7 tonnes imported in 2018, at a negative CAGR of approximately 18.8%. From 2019 to 2023, in line with the increasing trend projected by the World Bank, the price of aluminium is forecasted to grow moderately at a CAGR of approximately 1.0% due to the increasing production cost and consistent demand.

The price of steel fluctuated with a general increase at a CAGR of approximately 6.7% from 2013 to 2018. The decreased price during 2014 and 2016 was mainly caused by the increase in production volume of steel in China. The price of steel rebounded in 2017 and 2018. The increase between 2016 and 2018 was mainly attributed to the de-capacity policies implemented by the Chinese government in capping the excessive production. Despite a significant growth between 2017 and 2018, the price of steel started to decrease since late 2018 partly due to weakening global demand. It is expected that the price of steel will resume to normal level, growing at a CAGR of approximately 1.2% from 2019 to 2023.

The price of glass remained stable with a slight increase at a CAGR of approximately 1.3% from 2013 to 2018. The increase of price was largely attributed to the constant demand derived from construction activities including façade works. From 2019 to 2023, the price of glass is expected to maintain an upward trend at a CAGR of approximately 1.2%.

The average daily wage for workers engaged in the façade works industry in Hong Kong increased at a CAGR of approximately 4.8% from 2013 to 2018. The increase in the average daily wage can mainly be explained by the insufficient labour supply to the façade works industry. It is expected that the daily wage of façade workers will increase consistently at a CAGR of approximately 2.5% from 2019 to 2023 with the stably growing façade works industry.

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COMPETITIVE LANDSCAPE OF THE FAÇADE WORKS INDUSTRY IN HONG KONG

In 2018, there were approximately 30 to 40 major companies performing façade works in the industry. The façade works industry in Hong Kong is a mature and consolidated market, with the estimation that the growth rate the market from 2019 to 2023 will grow at a CAGR of approximately 4.1%, a decelerating and stable pace as compared with the historical period. The industry is dominated by several reputable players, while other players in the industry are on a relatively small scale. The top 10 players accounted for a share of approximately 75.8% to the gross output value of the façade works industry in Hong Kong in 2018.

For the year ended 31 December 2018, our Group recorded revenue of HK\$264.0 million by providing façade works services, and ranked eighth with a market share of approximately 4.7% of the total gross output value of the façade works industry in Hong Kong in 2018.

The table below sets forth the market share of the top 10 players in the façade works industry in Hong Kong in 2018:

Rank	Company	Headquarter Location	General Business Coverage	Revenue in 2018 <i>(HK\$ million)</i>	Market Share in 2018	Status
1	Company A	Hong Kong	Provides services in design, supply and installation of curtain wall systems in Hong Kong and PRC.	1,016.9	17.9%	Listed
2	Company B	Hong Kong	Provides façade integrated solutions in Hong Kong.	613.0	10.8%	Private
3	Company C	The PRC	Provides services in design, production and installation of curtain wall systems in Hong Kong, PRC and Macau.	476.2	8.4%	Listed
4	Company D	Italy	Provides services in design, fabrication and installation of architectural envelopes and interior systems for iconic architectures.	414.8	7.3%	Private
5	Company E	Hong Kong	Specialised in podium façade systems in Hong Kong.	365.4	6.4%	Listed
6	Company F	Hong Kong	Specialised in window wall and curtain wall systems in Hong Kong and PRC.	347.9	6.1%	Listed
7	Company G	Hong Kong	Provides services in design, fabrication and installation of façade works.	303.9	5.4%	Private
8	The Company	Hong Kong	Provides services in one-stop design and build solutions of podium façade, window and curtain wall systems in Hong Kong.	264.0	4.7%	AP
9	Company H	Hong Kong	Provides services in design, fabrication, and installation of façade systems in Hong Kong.	250.9	4.4%	Listed
10	Company I	Hong Kong	Provides services in design, fabrication, and installation of curtain wall and podium façade in Hong Kong.	247.3	4.4%	Listed
	<i>Others</i>			1,368.6	24.2%	
	Total			5,668.9	100.0%	

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Notes: (1) Percentages may not sum up to 100% due to rounding; (2) Some totals may not correspond with the sum of the separate figures due to rounding; (3) “AP” is denoted as issued application proof on the Stock Exchange of Hong Kong.

Source: Ipsos research and analysis

Market drivers and opportunities

Increasing construction projects

Façade serving as the aesthetic outer skin is widely adopted in residential and commercial buildings, as well as infrastructures such as MTR stations. The number of newly built buildings each year and the “Ten Major Infrastructure Projects” have considerably driven the demand for façade works. According to the Rating and Valuation Department, the number of private residential units completed in Hong Kong increased from 8,254 units in 2013 to 20,968 units in 2018, at a CAGR of approximately 20.5%; while approximately 921,200 m² of office building floor had been constructed during the same period. Besides, the construction of the new MTR stations of the South Island Line, Sha Tin to Central Link and the train station of the Guangzhou Shenzhen-Hong Kong Express Rail Link also involved a substantial scale of façade works, driving the growth of the industry.

The increasing popularity of environmental-friendly buildings

The increasing popularity of environmental-friendly buildings is likely to be the growth driver to the façade works industry in Hong Kong. There is an increasing demand for refurbishments, additions and alterations to existing buildings with the aims to improve the energy efficiency and sustainability while new buildings tend to adopt more complex and iconic façade designs featuring with environmental-friendly elements. It is expected that the demand for environmental-friendly façade materials will increase in the future.

Entry barriers

The emphasis on sufficient practical industry experience and well-established networks

Market players’ reputation and established connections with customers and suppliers are vital in the façade works industry. Contractors with a well-developed track record, established connections with developers and reputation in the industry generally have a higher rate in receiving a tender invitation or quotation from their customers, as compared to new entrants with the absence of proven quality and reliability of works to meet the project requirements. For certain projects that emphasise contractors’ track records, new entrants will have to confront with the difficulties in competing with the existing players within the industry.

Requirements on stable and adequate capital flow

Stable and adequate capital flow is critical and could be the entry barrier for the façade works contractors, which is mainly used to settle the payment of wages to direct labour or subcontractors, the payment of surety bond, the cost of raw materials and rental cost of specialised machinery. Moreover, contractors may have to pay in advance for the aforementioned cost before receiving payments from their customers which would incur significant upfront costs. For some projects, maintaining an adequate cash flow could be one of the tender requirements. The inability to settle timely payments may defer the construction schedule and lead to a loss of reputation. Therefore, the stable and adequate capital flow is required for façade works contractors to facilitate their operations and therefore creating obstacles to new entrants since they may not have sufficient and stable cash flow to finance their operations.

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Threats and challenges

Increasing operating cost potentially leads to lower profit margins

The façade works contractors have been facing increasing construction costs. The increase in operating costs is attributed to the increasing wage trend of construction workers due to the labour shortage. The increase in labour costs consistently raised the total operating costs of the façade works industry, lowering the profit margin for the projects and becoming a threat to the industry.

Insufficient experienced and skill labour causing succession problem

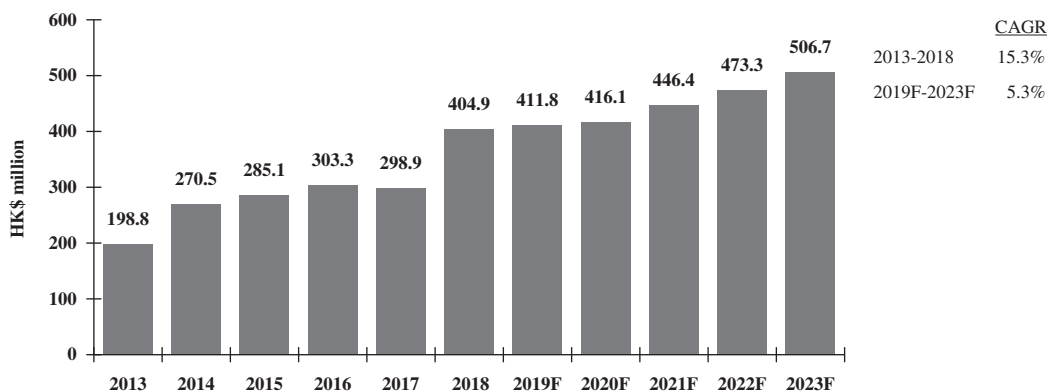
The construction industry in Hong Kong has been facing the succession problem, which is exacerbated by an ageing workforce and retirement of aged labour. According to the Construction Industry Council (“CIC”), the percentage of registered workers who were aged over 60 increased from 15.6% in January 2017 to 18.3% in March 2019. With the construction industry ageing labour force in Hong Kong, the industry is also struggling to attract and retain skilled workers since teenagers in Hong Kong were reluctant to enter into the construction industry in the past decade which has worsened the succession problem of skilled labours.

OVERVIEW OF THE BMU SYSTEM WORKS INDUSTRY IN HONG KONG

BMU systems, which are commonly known as permanent gondola systems or suspended working platforms, are systems that carry workers, site personnel, or engineers for working at height. The application of BMU systems in buildings including but not limited to the installation of curtain walls and windows, window cleaning, external renovation such as glass, air-conditioner, and façade replacement works and decoration of buildings, bridges, chimneys, silos and other structures. BMU systems are installed on buildings and infrastructures mainly for façade cleaning and material inspection, the demand for BMU systems mainly comes from new residential, commercial buildings and infrastructures with façade installed as the external building envelope. In addition to the demand driven by façade cleaning and inspections, repair and maintenance of the existing BMU systems to ensure safety operation is another driver of the BMU system works industry in Hong Kong.

Gross output value of the BMU system works industry

The graph below sets forth the gross output value of the BMU system works industry from 2013 to 2018 and forecast from 2019 to 2023:



Note: F denotes forecast figure.

Source: Ipsos research and analysis

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The gross output value of the BMU system works industry in Hong Kong increased from HK\$198.8 million in 2013 to HK\$404.9 million in 2018, at a CAGR of approximately 15.3%. The increase in the gross output value of the industry can be chiefly explained by (i) increase in the demand for BMU systems due to the rising supply of residential, commercial and office buildings, and (ii) routine repair and maintenance works on BMU systems as required under the Factories and Industrial Undertakings (Suspended Working Platforms) Regulation.

In 2018, the gross output value recorded a significant growth for approximately 35.5% year-over-year (“YoY”) growth mainly driven by the surge in private residential and commercial units completions. According to the Rating and Valuation Department, both of the number of private residential units completed and total floor area of private commercial space completed scale new peaks at approximately 20,968 units and 125,000 m² with approximately 17.9% YoY and 19.0% YoY with respectively in 2018. It is expected that the gross output value of the BMU system works industry will increase at a CAGR of approximately 5.3% from 2019 to 2023. The expected growth is mainly supported by the government’s initiatives in maintaining a steady land supply for construction of new residential, office and commercial buildings.

Price trend of major cost components

The following table shows the major cost components including average price of key materials used and the average daily wage of direct workers engaging in the BMU system works industry in Hong Kong from 2013 to 2018 and forecast from 2019 to 2023:

	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F	CAGR 2013-2018	CAGR 2019-2023
Steel plate (RMB per tonne)	3,951.6	3,527.0	2,539.0	2,965.8	4,032.3	4,322.4	4,548.2	4,623.6	4,661.7	4,676.0	4,687.0	1.8%	0.8%
I-beam (RMB per tonne)	3,632.3	3,148.3	2,311.3	2,544.2	3,781.2	4,187.2	4,231.4	4,344.9	4,403.2	4,432.9	4,443.9	2.9%	1.2%
Average wage ¹ (HK\$ per day per worker)	993.9	1,032.8	1,116.3	1,173.9	1,235.1	1,250.8	1,354.8	1,423.6	1,492.3	1,561.1	1,629.9	4.7%	4.7%

Note: (1) Seven major occupations are included in the calculation of average wages for workers engaging in BMU system industry in Hong Kong, this includes General Welder, Electrical Fitter, Mechanical Fitter, Plant & Equipment Operator (Load Shifting), General Workers and Labourers, Rigger/Metal Formwork Erector and Metal Workers. This classification is based on information gathered from expert interview and research.

Source: Census and Statistics Department, HKSAR; Wind, PRC; Ipsos research and analysis

The average price of steel plate imported from China increased at a CAGR of approximately 1.8% from 2013 to 2018. Given that China is the major origin of imported steel in Hong Kong, the lowering of steel price in China due to overproduction affected the price of steel in Hong Kong from 2014 to 2016. Nevertheless, the price of steel plate rebounded in 2017 and 2018, as China issued industrial de-capacity policies to deal with the excessive production, the growth of the supply of steel plate slowed down and led to a recovery of steel price. Driven by the stable demand for steel plate, the price of steel plate is expected to increase at a moderate CAGR of approximately 0.8% from 2019 to 2023.

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The average wholesale price of I-beam imported from China increased at a CAGR of approximately 2.9% from 2013 to 2018. The decrease during 2013 and 2015 can be attributed to decreasing demand from the downstream industries of construction material suppliers and China's tightening monetary policies, which weakened the bargaining power of I-beam suppliers. The rebound of the average price from 2016 to 2018 can be mainly attributed to the recovery of the prices of iron and steel products in China, and is expected to sustain from 2019 to 2023 at a CAGR of approximately 1.2%.

The average daily wage of workers engaging in the BMU system works industry increased at a CAGR of approximately 4.7% from 2013 to 2018. The growing daily wage of workers engaged in the BMU system works industry was a result of labour shortage and ageing workforce issue in the industry. With the continuous labour shortage and ageing issue, the average wage is expected to increase from 2019 to 2023 at a CAGR of approximately 4.7%.

COMPETITIVE LANDSCAPE OF THE BMU SYSTEM WORKS INDUSTRY IN HONG KONG

In 2018, there were approximately 20 contractors registered under Construction Industry Council, in which approximately 15 of them are considered as active players in the BMU system works industry. The BMU system works industry in Hong Kong is a mature market, with the expectation that the gross output value of the industry will increase at a stable pace at a CAGR of approximately 5.3% from 2019 to 2023. The top five BMU contractors are all reputable and have established stable business relationships with their customers. The industry is therefore consolidated and dominated by several reputable contractors, in which the top five permanent BMU system contractors aggregately accounted for a share of approximately 85.9% to the gross output value of the industry in 2018.

The contractors in the BMU system works industry generally compete on (i) track records and reputation, (ii) technical capability, (iii) price, and (iv) business relationship with other participants along the supply chain. Particularly, the BMU system contractors can be more competitive by partnering or entering an exclusive dealership with the BMU system manufacturers who are well-recognised and are technically capable to design and manufacture high-quality BMU systems. Due to the lower manufacturing costs and advancing production capabilities of Chinese manufacturers, some of the BMU system contractors nowadays have also built up partnerships with the Chinese BMU system manufacturers with an aim to offer lower price alternatives to their customers.

For the year ended 31 December 2018, our Group generated HK\$202.1 million of revenue by engaging in the BMU system works industry in Hong Kong, ranked first and accounted for a share of 49.9% to the gross output value of the BMU system works industry in 2018.

The table below sets forth the market share of the top five players in the BMU system works industry in Hong Kong in 2018:

Rank	Company	Headquarters location	General business coverage	Revenue in 2018 (HK\$ million)	Market share in 2018	Status
1	Our Company	Hong Kong	Provides one-stop design and build solutions for BMU system works	202.1	49.9%	AP
2	Company J	Hong Kong	Provides BMU system works and representing Germany and Shanghai manufacturers.	66.4	16.4%	Private
3	Company K	Australia	Provides services in design, fabrication and installation of its own external building access solutions worldwide.	29.2	7.2%	Private

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Rank	Company	Headquarters location	General business coverage	Revenue in 2018 (HK\$ million)	Market share in 2018	Status
4	Company L	Hong Kong	Provides services in design, supply and installation of BMU systems, partnering with Chinese manufacturers.	25.9	6.4%	Private
5	Company M	Hong Kong	Provides integrated solutions of BMU system works in Hong Kong, with a close partnership with New Zealand manufacturer.	24.3	6.0%	Private
	<i>Others</i>			57.0	14.1%	
	Total			404.9	100%	

Notes: (1) Percentages may not total 100% due to rounding; (2) Some totals may not correspond with the sum of the separate figures due to rounding; (3) “AP” is denoted as issued application proof on the Stock Exchange of Hong Kong.

Source: Ipsos research and analysis

Market drivers and opportunities

Increasing number of construction projects

The BMU system works industry is supported by the demand from the construction projects with an increasing number of residential and commercial buildings, as well as the development of public infrastructures. Hong Kong government has taken several initiatives to increase the land supply for residential, official, commercial and industrial buildings. For example, according to the 2019-20 Budget Speech, the estimated provision of private housing units will reach approximately 93,000 units during 2020 and 2023 with an estimated annual production of approximately 18,800 units on average, while approximately 814,600 m² of commercial/office floor area is expected to be released through seven commercial/hotel sites under the 2019-20 Land Sale Programme. The increasing number of construction projects has provided growth momentum to the BMU system works industry in Hong Kong.

Increasing demand from façade works industry

BMU system is widely used in façade works projects, including installation, cleaning, and replacement works of façade, therefore, the increasing number of façade works projects will continually stimulate the demand for BMU systems. The rising trend of installing modern and sophisticated façade systems as the exterior of buildings encourages developers and property owners to install BMU systems on the building, as it is more convenient for routine façade cleaning and replacement works, and material inspections in the future. With more buildings in Hong Kong installed façade, there is little space on the exterior wall to fix the bamboo scaffold and conduct cleaning and replacement works of façade works. The increasing demand for cleaning and replacement works of façade, therefore, stimulates the demand for BMU systems.

INDUSTRY OVERVIEW

Entry barriers

Industry experience, reputation and well-established connections

The reputation of the market players, industry experience and connections with customers and suppliers are vital in the BMU system works industry. Well-established reputation in the industry and good connections with clients generally have a higher chance in getting return business from them, comparing to new entrants with the absence of established reputation, as well as proven quality and reliability of works to meet the project requirements.

High level of capital requirement

BMU system contractors in Hong Kong require sufficient capital for acquiring plant, machinery and equipment, initiating projects, recruiting skilled labour, and other payment for its suppliers and subcontractors. Before project initiation, BMU system contractors have to ensure a sufficient amount of cash for the procurement of BMU systems and other machinery, such as cranes, recruitment of skilled labour and other payment for its suppliers and subcontractors. During the construction process, sufficient capital is also required to guarantee the payment of wages, surety bond and payment for suppliers and subcontractors before getting paid by their customers. Therefore, the level of capital requirement is one of the barriers hindering new entrants from entering the industry.

Threats and challenges

Labour shortage issues

The construction industry in Hong Kong has been facing the problem of labour shortage, which is worsened by high labour demand. Particularly, the workforce of general welder, rigger/metal formwork erector and metal worker, which are the major types of workers involved in the BMU system works industry, are recognised as shortage trades by CIC in 2018. With the expected growth of the BMU system works industry, labour shortage can be a major threat of the industry.

Increasing labour cost

BMU system works-related workers, such as general welder, rigger/metal formwork erector and metal worker, are considered as work trades in shortage under the Construction Industry Council. Lack of labour supply and increasing demand for BMU system works-related workers in Hong Kong has driven the average daily wage of workers engaging in the industry to increase. The increases in labour costs have consistently pushed up the operation costs, potentially lowering the profit margin of BMU system contractors and hindering the development of the industry.

Relative dependence on the number of construction projects

Although the number of new buildings in Hong Kong is expected to increase continually in the near future, as there is an on-going demand for both residential and commercial buildings in Hong Kong. However, uncertainties still exist due to many factors, which include but are not limited to the related regulations and policies released by the government and government initiatives such as land supply and new area development plans. If the number of construction projects experiences an unexpected decrease, the BMU system works industry in Hong Kong which is relatively dependent on the number of construction projects would be adversely affected.

COMPETITIVE ADVANTAGES OF OUR GROUP

Please refer to the section headed “Business – Competitive strengths” for a detailed discussion of our Group’s competitive strengths.

REGULATORY OVERVIEW

OVERVIEW

This section sets out a summary of certain aspects of the Hong Kong laws and regulations which are relevant to our Group's operations and business in Hong Kong. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group.

CONTRACTOR LICENCING REGIME AND OPERATION

Contractor licencing regime

Under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (the “**Buildings Ordinance**”), there are three contractors' registers, namely the general building contractors' register, the specialist contractors' register and the minor works contractors' register, being kept by the Building Authority.

Under the current contractors registration system in Hong Kong, the Building Authority shall keep a register of general building contractors who are qualified to perform the duties of a general building contractor and a register of specialist contractors who are qualified to carry out specialised works specified in the category in the sub-register in which they are entered. Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors. Registered minor works contractors may carry out such minor works belonging to the class, type and item specified in the register for which they are registered.

The main contractors carrying out private sector foundation works and ancillary services are required to register or work together with contractors who are registered on either the list of register of general building contractors or the list of register of specialist contractors with the Buildings Department in Hong Kong.

Minor works contractor

(a) Minor works control system

Under the Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) (the “**B(MW)R**”), a simplified control mechanism was provided to facilitate the carrying out of minor works without prior approval of plans by the Buildings Department, as opposed to the requirements under the Buildings Ordinance for the carrying out of large-scale building works or works of a very simple nature, which are governed by the same set of controls and may be too stringent for minor works which are of a smaller scale and pose a lower level of risk.

(b) Classification of minor works

A total of 126 items of building works have been included as minor works under the B(MW)R. Detailed specifications for these 126 items of minor works are set out in Part 3 of Schedule 1 of the B(MW)R. These 126 items of minor works are classified into three classes according to their nature, scale, complexity and risk to safety.

Under each class of minor works, works are further classified into different types. There are seven types of minor works corresponding to the specialisation of works in the industry. Details of the minor works items under each type of works are set out in Part 2 of Schedule 1 of the B(MW)R.

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(c) Register of minor works contractors

Minor works contractors are required to be registered under the Buildings Ordinance. Under Section 8A(1)(c) of the Buildings Ordinance, the Director of Buildings (the “**Building Authority**”) is to maintain a register of minor works contractors who are qualified to carry out such minor works belonging to the class, type and item specified in the register for which they are registered.

A Registered Minor Works Contractor (Company) (“**RMWC (Co)**”) is minor works contractor who is registered under Section 10(1)(b) of the B(MW)R in the name of a company (including corporations, sole proprietorship and partnership) for carrying out various types and classes of minor works.

(d) Requirements for registration as RMWC (Co)

Under Section 12(5) of the B(MW)R, an applicant for registration as an RMWC (Co) must satisfy the Building Authority on the following aspects:

- (i) the appropriate qualifications and experience of its key personnel, including at least one of its directors;
- (ii) it has access to plants and resources;
- (iii) its management structure is adequate;
- (iv) the ability of the persons appointed to act for the applicant for the purposes of the Buildings Ordinance to understand the type of minor works under application through relevant experience and a general knowledge of the basic statutory requirements; and
- (v) the applicant is suitable for registration in the register of minor works contractors.

Pursuant to Section 12(6) of the B(MW)R, in deciding whether the applicant is suitable for registration in the register of minor works contractors, the Building Authority will take into account the following factors:

- (i) whether the applicant has any criminal record in respect of any offence under the laws of Hong Kong relating to the carrying out of any building works; and
- (ii) whether any disciplinary order has been made against the applicant.

(e) Authorised signatory and technical director of RMWC (Co)

In considering each application for registration as an RMWC (Co), the Building Authority will give regard to the qualifications, experience and suitability of the following key personnel of the applicant:

- (i) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance hereinafter referred to as the Authorised Signatory (the “**AS**”); and
- (ii) for a corporation – a minimum of one director from the board of directors of the applicant, hereinafter referred to as the Technical Director (the “**TD**”), who is authorised by the board to:
 - (A) have access to plants and resources;
 - (B) provide technical and financial support for the execution of minor works; and

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

For the purpose of determining an applicant's suitability for registration in the register of minor works contractors, the Building Authority also takes into account whether the AS and the TD has any criminal record in respect of any offence under the laws of Hong Kong relating to the carrying out of any building works, and whether any disciplinary order has been made against the AS.

(f) Persons eligible to be the AS or TD of RMWC (Co)

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

The Building Authority imposes specific requirements on the qualifications and experience of the key personnel of a registered minor works contractor. The following table summarises the said specific requirements for registered minor works contractor imposed by the Building Authority:

<u>Key personnel</u>	<u>Specific requirements on the key personnel</u>
Authorised Signatory	<p>Must have:</p> <ul style="list-style-type: none">(i) at least three years' relevant experience in building industry, one year of which should be gained locally; and(ii) been involved in seven relevant items of minor works in Hong Kong in which one of them must be completed within the three years preceding the date of application for registration; and(iii) at least a certificate, diploma or equivalent in the field of construction technology such as architecture, building studies, building surveying, civil engineering and structural engineering or in other fields of studies which the Building Authority accepts.
Technical Director	<p>Must have:</p> <ul style="list-style-type: none">(i) at least five years' relevant experience in building industry in which one, three or five years should be in managing a building contractor company in Hong Kong depending on the class of application; or(ii) three years' relevant experience in building industry, one year of which should be gained locally; and(iii) at least a certificate, diploma or equivalent in the field of construction technology such as architecture, building studies, building surveying, civil engineering and structural engineering or in other fields of studies which the Building Authority accepts.

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A person is allowed to take up the role of the AS as well as the role of the TD of a corporation at the same time provided that he meets the requirements of both AS and TD.

To ensure that adequate supervision and proper management are provided for the carrying out of minor works and to avoid possible situations of conflict of interest, persons who have been accepted as the AS or TD for an RMWC (Co) cannot act as an AS or TD or other key personnel for another contractor firm simultaneously.

(g) Validity period of registration and renewal of registration

Pursuant to Section 13 of the B(MW)R, the registration as RMWC (Co) is valid for a period of three years commencing from the date of entry of the name in the register of minor works contractors maintained by the Building Authority. Under Sections 14(1) and (2) of B(MW)R, an RMWC (Co) may apply to the Building Authority for renewal of registration within a period not earlier than four months and not later than 28 days prior to the expiry of the registration. A renewed registration will expire on the third anniversary of the expiry date of the previous registration.

Subcontractor registration scheme

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

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

A technical circular issued by the Works Branch of the Development Bureau (then the Environment, Transport and Works Bureau) (the “WBDB”) on 14 June 2004 (now subsumed into the Project Administration Handbook for Civil Engineering Works by the Civil Engineering and Development Department of Hong Kong) requires that all public works contractors with tenders to be invited on or after 15 August 2004 to employ all subcontractors (whether nominated, specialist or domestic) registered from the respective trades available under the VSRS.

After the CIC took over the work of the PCICB in February 2007 and the VSRS in January 2010, the CIC launched stage two of the VSRS in January 2013. VSRS was also then renamed Subcontractor Registration Scheme. All subcontractors registered under the VSRS have automatically become registered subcontractors under the Subcontractor Registration Scheme.

Subcontractors may apply for registration on the Subcontractor Registration Scheme in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch into around 95 specialties including sheet piles, driven piles, earthwork, geotechnical works, and ground investigation etc.

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

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(irrespective of any tier) any part of the public works subcontracted to them involving trades available under the Primary Register of the Subcontractor Registration Scheme, the contractor shall ensure that all subcontractors (irrespective of any tier) are registered under the relevant trades in the Primary Register of the Subcontractor Registration Scheme.

Applications for registration under the Primary Register of the Subcontractor Registration Scheme are subject to the following entry requirements:

- (a) completion of at least one job within the last five years as a main contractor/subcontractor in the areas which it applies or to have acquired comparable experience by itself/its proprietors, partners or directors within the last five years;
- (b) listings on one or more government registration schemes operated by policy bureaus or departments of the Government relevant to the trades and specialties for which registration is sought;
- (c) the applicant or its proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Training Series for Subcontractors (or equivalent) conducted by the CIC; or
- (d) the applicant or its proprietor, partner or director having registered as registered skilled worker under the CWRO for the relevant trade/specialty with at least five years of experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the CIC.

A registered subcontractor shall apply for renewal within three months before the expiry date of its registration by submitting an application to the CIC in a specified format providing information and supporting documents as required to show compliance with the entry requirements. An application for renewal shall be subject to approval by the management committee of the CIC which oversees the Subcontractor Registration Scheme (the “**Management Committee**”). If some of the entry requirements covered in an application can no longer be satisfied, the Management Committee may give approval for renewal based on those trades and specialties where the requirements are met. An approved renewal shall be valid for three or five years from the expiry of the current registration.

A registered subcontractor shall observe the Codes of Conduct for Registered Subcontractor (Schedule 8 of the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme) (the “**Codes of Conduct**”). Failing to comply with the Codes of Conduct may result in regulatory actions taken by the Management Committee.

The circumstances pertaining to a registered subcontractor that may call for regulatory actions include, but are not limited to:

- (a) supply of false information when making an application for registration, renewal of registration or inclusion of additional trades;
- (b) failure to give timely notification of changes to the registration particulars;
- (c) serious violations of the registration rules and procedures;
- (d) convictions of senior management staff (including but not limited to proprietors, partners or directors) for bribery or corruption under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong);

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- (e) convictions for failure to pay wages on time to workers in accordance with the relevant provisions contained in the Employment Ordinance (Chapter 57 of the Laws of Hong Kong);
- (f) wilful misconducts that may bring the Subcontractor Registration Scheme into serious disrepute;
- (g) civil awards/judgements in connection with the violation of or convictions under the relevant sections of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong);
- (h) convictions under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) or Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) in relation to serious construction site safety incidents resulting in one or more of the following consequence:
 - (i) loss of life;
 - (ii) serious bodily injury resulting in loss or amputation of a limb or had caused or was likely to cause permanent total disability; or
- (i) conviction of five or more offences under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) and/or Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) each arising out of separate incidents in any six months period (according to the date of committing the offence but not the date of conviction), committed by the registered subcontractor at each of a construction site under a contract;
- (j) convictions for employment of illegal worker under the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong); or
- (k) late payment of workers' wages and/or late payment of contribution under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) over 10 days with solid proof of such late payment of wages and/or contribution.

The Management Committee may instigate regulatory actions by directing that:

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

Registered electrical contractor

To ensure that electrical work is carried out only by qualified electrical works through qualified electrical contractors, all contractors engaged in electrical work must be registered with the Electrical and Mechanical Services Department under Section 34(1) Electricity Ordinance (Chapter 406 of the Laws of Hong Kong).

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For the purposes of the Electricity Ordinance, “electrical work” means work in relation to the installation, commissioning, inspection, testing, maintenance, modification or repair of a low voltage or high voltage fixed electrical installation and includes the supervision and certification of that work and the certification of design of that installation.

Under the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong), in order to be qualified as a registered electrical contractor, the applicant for registration must employ at least one registered electrical worker. Electrical works are classified into five grades according to their nature and risk to safety, and the requirements required for an individual to qualify as a registered electrical work vary according to the grade of electrical work he/she is applying for.

A certificate of registration for an electrical contractor or electrical worker is valid for three years. Renewal applications must be made at least one month before and no earlier than four months before the expiry date.

A registered electrical contractor shall display in a prominent place at its principal place of business the original of its certificate of registration and a copy of its certificate of registration issued by the Director of Electrical and Mechanical Services at each of its other places of business.

A registered electrical contractor shall not (i) employ a person other than a registered electrical worker to do electrical work except as provided in Section 32 of the Electricity Ordinance or (ii) cause or knowingly allow a registered electrical worker employed by it to do electrical work in contravention of the Electricity Ordinance. It shall also effectively supervise a registered electrical worker employed by him.

A registered electrical contractor who fails to comply with these rules in the Electricity Ordinance commits an offence and is liable to a fine of HK\$50,000 on a first conviction and a fine of HK\$100,000 on a subsequent conviction for the same offence and in either case is liable to imprisonment for six months.

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

The CWRO helps ensure the quality of construction works, raise workers’ career status, reduce employment disputes, and combat illegal employment to protect the employment opportunity of local workers.

According to Section 3 of the CWRO, a person shall not personally carry out construction work on a construction site unless the person is a registered construction worker. Further, Section 5 of the CWRO provides that no person shall employ unregistered construction workers to carry out construction work on construction sites.

If (i) there is a contravention of Section 3 of the CWRO and the person who commits the contravention is employed by a principal contractor for the construction site concerned, or a sub-contractor of such a principal contractor; or (ii) there is a contravention of Section 5 of the CWRO, and the person who commits the contravention is a sub-contractor of a principal contractor for the construction site concerned, that principal contractor also commits an offence and is liable on conviction to a fine of HK\$50,000.

In addition, according to Section 58 of the CWRO, a principal contractor/controller of a construction site is required to:

- (a) establish and maintain a daily record in the specified form that contains information of registered construction workers employed by him and, in the case of a controller being the principal contractor, by a sub-contractor of the controller; and

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- (b) furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of record:
 - (i) for the period of seven days after any construction work begins on the site; and
 - (ii) for each successive period of seven days,within two business days following the last day of the period concerned.

A person who, without reasonable excuse, contravenes Section 58 of the CWRO commits an offence and is liable on conviction to a fine of HK\$10,000.

According to Section 3(2) of the CWRO, workers must register as registered skilled or semi-skilled workers of designated trade divisions, including, among others, plant and equipment operator (suspended working platform), to carry out construction works of those trade divisions on construction sites.

Projects involving curtain walls

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

- (a) The works do not involve foundation works, nor works with significant geotechnical content;
- (b) The works do not entail precautionary works nor other safety measures which are required to be completed to the satisfaction of the Building Authority prior to the commencement of the proposed works;
- (c) All the plans and documents prescribed under regulation 8 of the Building (Administration) Regulations are submitted for approval; and
- (d) All the requisite supporting information/documents for the consent application are submitted. For curtain wall works, compliance certificates and test reports as required under “Practice Note for Authorised Persons, Registered Structural Engineers and Registered Geotechnical Engineers – Curtain Wall, Window and Window Wall Systems (APP-37)” may be submitted prior to the application for an occupation permit.

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

The registered general building contractor, registered specialist contractor and Registered Minor Works Contractor appointed in respect of building works shall, during the carrying out thereof, give continuous supervision thereto to ensure that the building works, are carried out in accordance with the provisions of the Buildings Ordinance and regulations and with the

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plans approved in respect thereof and with any order made or condition imposed, pursuant to any provision of the Buildings Ordinance or regulations in that behalf, by the Building Authority and the supervision plan prepared in compliance with the Technical Memorandum.

Design requirements for curtain walls

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

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

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

The Code of Practice on Design for Safety – External Maintenance (the “External Maintenance Code”)

The External Maintenance Code was promulgated by the Buildings Department in September 2019, which provides guidance on the provision of means of access for maintenance to outer faces of external walls, curtain walls, external claddings, roofs and projections of buildings.

The External Maintenance Code categorises the means of safe access for maintenance and repair (“**M&R**”) which shall be provided in the building projects to facilitate the underlying major M&R works, which are in turn dependent on the classification of the subject projection from external wall, curtain wall or external cladding.

Major M&R works generally include, among others, inspection, cleansing, repair, and replacement/removal of defective parts. Accordingly, the means of safe access for these M&R works generally include the provision of, among others, maintenance access window, maintenance access door, power-operated elevating work platform, suspended working platform and/or balcony/utility platform.

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The External Maintenance Code also draws specific requirements relating to suspended working platform. The External Maintenance Code provides that buildings shall be designed and constructed to take into account the provision of the suspended working platform serving its designed functions. All structural supporting frames, members and fixings for the platform including any screen shall be designed to withstand all combinations of loads imposed (including wind load) by the system and shall be subject to the approval under the Buildings Ordinance. These structural elements shall either be corrosion resistant or protected with anti-corrosion system.

The suspended working platform shall be so located and provided not to obstruct the means of escape required under Part B of the Code of Practice for Fire Safety in Buildings. When the platform is not in operation, it shall be properly tied to the building to prevent undue movement. Adequate restraints shall be provided strategically at the façade of a building which can be exposed to wind, to prevent undue tipping, tilting, swaying or horizontal movement of the platform in operation.

Factories and Industrial Undertakings (Suspended Working Platforms) Regulation (Chapter 59AC of the Laws of Hong Kong) (the “SWPR”)

Safety of suspended working platforms used for carrying persons is mainly regulated by the SWPR administered by the Labour Department.

The SWPR lays down requirements with respect to the construction and maintenance, operation, inspection, testing and examination, erection, dismantling and alteration of suspended working platforms. For instance, the SWPR specifically requires the owner, among other matters, to ensure that a suspended working platform shall be of good design and construction and adequate strength for the purpose for which it is used, made of sound material and free from patent defect, properly installed or assembled and properly maintained. The owner of a suspended working platform shall ensure that it is not erected, dismantled or the structure as originally designed altered, except under the supervision of a competent person.

Pursuant to the SWPR, the owner of a suspended working platform shall ensure that every person working thereon shall (i) be at least 18 years old; and (ii) have undergone training that is either recognised by the Commissioner for Labour or provided by the manufacturer of the suspended working platform or its local agent, on general construction of the suspended working platform and how to operate it safely, and have obtained a certificate in respect of such training from the person who provided the training.

For the purposes of the SWPR, “owner”, in relation to any suspended working platform, includes the lessee or hirer thereof, and any overseer, foreman, agent or person in charge or having the control or management of the suspended working platform, and the contractor who has control over the way any construction work which involves the use of the suspended working platform is carried out and, in the case of a construction site, includes the contractor responsible for the construction site.

Contraventions by the owners of a suspended working platform of the SWPR will attract penalties up to a fine of HK\$200,000 and to imprisonment of 12 months.

Code of Practice for Safe Use and Operation of Suspended Working Platforms (the “Suspended Working Platforms Code”)

The Suspended Working Platforms Code is prepared by the Occupational Safety and Health Branch of the Labour Department. It is approved and issued by the Commissioner for Labour in accordance with Section 7A of the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) to complement the legislative framework at an operational level. It provides practical guidance to the owner of a suspended working platform for compliance with the requirements under the provisions of the SWPR.

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Suspended working platforms can be classified as permanent and temporary suspended working platforms. The Suspended Working Platforms Code covers the safety requirements of these working platforms suspended by ropes, chains, or lifting gear and capable of being raised and lowered by mechanical means. It is applicable to the use and operation of the suspended working platforms as well as the related supporting activities such as test and examination of the suspended working platforms.

Although failure to observe any advice contained in the Suspended Working Platforms Code is not in itself an offence, that failure may be taken by a court in criminal proceedings as a relevant factor in determining whether or not a person has breached any of the provisions of the regulations to which the advice relates.

There are statutory requirements governing the testing, examination and inspection of suspended working platform pursuant to the SWPR. According to the SWPR, the owner of a suspended working platform shall ensure that it is not used for carrying persons unless it has been thoroughly examined by a competent examiner in the immediately preceding six months before it is put into use. A certificate in an approved form containing a statement to the effect that the suspended working platform is in safe working order made by the competent examiner should be obtained in respect of the suspended working platform after such examination. Suspended working platform shall also be load tested and thoroughly examined by a competent examiner during the immediately preceding 12 months before its use.

The owner of a suspended working platform shall ensure that it is not used for carrying persons unless (i) it has been inspected in the immediately preceding seven days before its use by a competent person; and (ii) he has obtained a certificate in the approved form in which the competent person has made a statement to the effect that it is in safe working order.

Every suspended working platform should be inspected in the immediately preceding seven days before its use by a competent person. A statement to the effect that it is in safe working order should be entered into an approved form by the competent person.

After thorough examination the competent examiner shall deliver the certificate or relevant report to the owner within 28 days. If the competent examiner discovers that certain repairs should be carried out before use, he shall immediately inform the owner and deliver a report to the owner and a copy of it to the Commissioner for Labour within 14 days.

A competent examiner or competent person shall not deliver to an owner a certificate or make a report which is to his knowledge false as to a material particular. A copy of the most recent certificate or report shall be prominently displayed on the suspended working platform.

For the purpose of the SWPR, a competent person means a person who is (i) appointed by the owner to ensure that the duty is carried out; and (ii) by reason of substantial training and practical experience, competent to perform the duty.

In Hong Kong, suspended working platform operators are required to undergo training that is either recognised by the Commissioner for Labour or provided by the manufacturer of the suspended working platform or its local agent in order to qualify for the certificate in respect of such training issued by the person who provided the training.

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LABOUR, HEALTH AND SAFETY

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

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

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangements for ensuring safety and health in connection with the use, handling, storage or transport of articles and substances;
- providing all necessary information, instructions, training and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy working environment.

A proprietor who contravenes any of these requirements 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 six months.

Section 6BA(5) of the FIU Ordinance also provides that on and after the appointed day (as defined in the FIU Ordinance), every proprietor shall not employ at the undertaking a relevant person who has not been issued a relevant safety training certificate or whose relevant certificate has expired. A proprietor who contravenes this section commits an offence and is liable to a fine of HK\$50,000.

Matters regulated under the subsidiary regulations of the FIU 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, inspection and operation of hoists; (iii) the duty of contractors responsible for construction site to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty of contractors responsible for construction site 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. A contractor found guilty of the relevant offence could be liable to a fine up to HK\$200,000 and to imprisonment up to 12 months.

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

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

Employers must as far as reasonably practicable, ensure the safety and health at work of all of their employees by (including but without limitation):

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

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- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instructions, training and supervision for ensuring safety and health;
- as regards any workplace under the employer's control, maintaining the workplace in a condition that is safe and without risks to health or providing or maintaining means of access to and egress from the workplace that are safe and without any such risks; and
- providing or maintaining a working environment for the employees that is safe and without risks to health.

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

The Commissioner for Labour may also issue (i) an improvement notice against any non-compliance of this ordinance or the FIU Ordinance; or (ii) a suspension notice against an employer if in general an activity is undertaken at the workplace which may create an imminent hazard to the employees. Failure to comply with such notice 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.

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 respectively 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 or dies from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to Section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting Form 2 (within 14 days for general work accidents and within 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 period of seven or 14 days (as the case may be), 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.

Pursuant to Section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to a subcontractor's employee who is injured in the course of his employment with 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 under the Employees' Compensation Ordinance. The employee in question is required to serve a notice in writing on the principal contractor before making any claim or application against the principal contractor.

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According to Section 40 of the Employees' Compensation Ordinance, all employers (including principal 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 of their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and the liability of his subcontractor(s) under the Employees' Compensation 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(1B) of the Employees' Compensation Ordinance.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine of HK\$100,000 and to imprisonment for two years, and on summary conviction to a fine of HK\$100,000 and to imprisonment for one year.

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

A principal contractor shall be subject to the provisions on subcontractor's employees' wages under the Employment Ordinance. Pursuant to Section 43C of the Employment Ordinance, (i) a principal contractor is, or (ii) a principal contractor and every superior subcontractor are jointly and severally, 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. Such liability shall be limited to (i) 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 (ii) 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).

According to Section 43D of the Employment Ordinance, an employee who has outstanding wages payments from the subcontractor must serve 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 the required notice on the principal contractor.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of 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 every superior subcontractor shall be guilty of an offence and shall be liable on conviction to a fine of HK\$50,000.

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

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

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

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

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

Pursuant to Section 38A of the Immigration Ordinance, a construction site controller (the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) should take all practicable steps to (i) prevent having illegal immigrants from being on the construction site; or (ii) prevent illegal workers who are not lawfully employable from taking employment on the construction site.

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

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$37.5) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (except those specified under Section 7 of the Minimum Wage Ordinance). Any provision of a contract of employment that purports to extinguish or reduce any right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

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

The MPF scheme requires employers to enrol their regular employees (except for certain exempt persons) who are at least 18 but under 65 years of age and employed for 60 days or more in the MPF scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. 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).

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:

- foundation and associated works;

REGULATORY OVERVIEW

- civil engineering and associated works;
- demolition and structural alteration works;
- refurbishment and maintenance works;
- general building construction works;
- fire services, mechanical, electrical and associated works;
- gas, plumbing, drainage and associated works; and
- 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, while the employers are not required to keep records of casual employees' personal particulars, relevant income, remittance of contribution information, etc.. This is convenient for scheme members to save administrative costs.

ENVIRONMENTAL PROTECTIONS

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

The Air Pollution Control Ordinance regulates the emission of air pollutants and noxious odour from construction, industrial and commercial activities and other sources of pollution. Its subsidiary regulations impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and Air Pollution Control (Smoke) Regulation (Chapter 311C of the Laws of Hong Kong). For instance, a contractor responsible for a construction site shall devise and arrange methods of carrying out the works in a manner that minimises the impact of dust on the surrounding environment of the construction site, 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 building works involving asbestos to be conducted only by registered qualified personnel under the supervision of a registered consultant.

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

The NRMM Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery, including non-road vehicles and regulated machines such as suspended working platforms.

The NRMM Regulation states that a person must not sell or lease, or cause to be sold or leased, a regulated machine for use in Hong Kong unless the machine is approved. "Regulated machine" means any mobile machine or transportable industrial equipment (private car, taxi, public light bus, private light bus, light goods vehicle, medium goods vehicle, public bus, private bus, heavy goods vehicle, special purpose vehicle, motor cycle, motor tricycle, invalid carriage, trailer or rickshaw) that is powered by an internal combustion engine with a rated engine power output that is greater than 19 kW but not greater than 560 kW. Examples include

REGULATORY OVERVIEW

air compressors, mobile generators, excavators, crawler cranes, mobile cranes, loaders, lifting platforms, mobile pumps, drilling rigs and roadwork machines. A person who fails to comply commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

From 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a label issued by the Environmental Protection Department of Hong Kong. Owners of existing non-road mobile machineries must apply for exemption during the six-month grace period between 1 June and 30 November 2015. Late application will not be considered. Starting from 1 December 2015 only approved or exempted non-road mobile machineries with a proper label are allowed to be used in specified activities and locations including construction sites, container terminals and back up facilities, restricted areas of the airport, designated waste disposal facilities and specified processes.

A person who sells or leases, or causes to be sold or leased, a regulated machine that is approved or exempted must ensure that:

- (a) the machine bears a label that (i) complies with the requirements specified in the regulation and (ii) is painted or affixed on the machine and properly maintained in accordance with the requirements specified in the regulation; and
- (b) the information set out in the label conforms with the information provided to the relevant authority in support of the application for the approval or exemption of the machine.

A person who fails to comply with the above commits an offence and is liable on conviction to a fine of HK\$50,000 and to imprisonment for three months.

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

The Noise Control Ordinance regulates, amongst others, the noise from construction 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 Noise Control Authority in advance. The carrying out of percussive piling is prohibited between 7:00 p.m. and 7:00 a.m. or at any time on general holidays.

Under the Noise Control Ordinance, construction works that use powered mechanical equipment (other than percussive piling) 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 Noise Control Authority through the construction noise permit system.

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 a second or 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.

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

The WDO controls the production, storage, collection, treatment, reprocessing, recycling and disposal of wastes.

Under the WDO, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of Environmental Protection. A person who uses, or permits to be used, any land or premises for the disposal without such licence commits an offence and is liable to (i) a fine of HK\$200,000 and to imprisonment for six months for the first offence; (ii) to a fine of HK\$500,000 and to imprisonment for six

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

A contractor shall observe and comply with the WDO 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).

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

Emission of dust from any building under construction or demolition in such manner as to be a nuisance is actionable under the Public Health and Municipal Services Ordinance. The maximum penalty is a fine of HK\$10,000 upon conviction with a daily fine of HK\$200.

Discharge of muddy water from a construction site is actionable under the Public Health and Municipal Services Ordinance. The maximum fine of HK\$50,000 upon conviction.

Any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance. The maximum penalty is HK\$25,000 upon conviction and a daily fine of HK\$450.

Any accumulation of refuse which is a nuisance or injurious to health or any premises in such a state as to be a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 upon conviction and a daily fine of HK\$200.

Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong) (the “PMCO”)

The PMCO establishes the Pneumoconiosis Compensation Fund, which consists of monies received from the government and the relevant levies, surcharges and penalties received from contractors in relation to pneumoconiosis and mesothelioma. The Pneumoconiosis Compensation Fund is administered by the Pneumoconiosis Compensation Fund Board, a statutory body responsible for assessing and collecting the imposed levies and compensating persons suffering from pneumoconiosis and/or mesothelioma and/or family members of persons who died of pneumoconiosis and/or mesothelioma.

Under the PMCO, we are required to pay a levy for any construction operations carried out by us as nominated subcontractors in Hong Kong with a total value exceeding HK\$3 million, at a rate of 0.15% of the total value of the construction operations concerned.

OTHERS

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

The Competition Ordinance came into force on 14 December 2015 and has a significant impact on construction companies and their suppliers operating in Hong Kong by prohibiting certain anti-competitive practices. A construction supplier should prepare and submit tenders independently of its competitors, free from cover pricing or bid-rigging. The supplier should avoid anti-competitive practices in relation to joint bidding with competitors on individual projects and participating in industry and trade association meetings. The supplier should not abuse its substantial degree of market power by predatory pricing, tying and bundling. The Competition Ordinance (i) prohibits conduct that prevents, restricts or distorts competition in Hong Kong, (ii) prohibits mergers that substantially lessen competition in Hong Kong; and (iii) provides for incidental and connected matters. The Competition Ordinance provides for the establishment of the Competition Commission of Hong Kong with investigation powers and the Competition Tribunal with adjudicative powers. The Competition Ordinance includes,

REGULATORY OVERVIEW

among other provisions, the first conduct rule, which prohibits anti-competitive conduct involving more than one party; and the second conduct rule, which prohibits anti-competitive conduct by a part with substantial market power.

The first conduct rule provides that an undertaking must not (a) make or give effect to an agreement; (b) engage in a concerted practice; or (c) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. Examples of serious anti-competitive conduct includes (i) fixing, maintaining, increasing, or controlling the price for the supply of goods or services; (ii) allocating sales, territories, customers or markets for the production or supply of goods or services; (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iv) bid-rigging practices.

The second conduct rule provides that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. Factors which may be taken into account when determining whether an undertaking has such power includes the market share of the undertaking, the undertaking's power to make pricing and other decisions; and any barriers to entry to competitors into the relevant market.

The Competition Ordinance prohibits the abuse of a substantial degree of market power and provides two examples of abusive conduct. An undertaking with a substantial degree of market power may commit an abuse by engaging in 'predatory behaviour towards competitors' or by 'limiting production, markets or technical development to the prejudice of consumers'.

Penalties that the Competition Tribunal may impose for contraventions of a competition rule include pecuniary penalties, awards of damages, and interim injunctions during investigations or proceedings. The maximum penalty in relation to a 'single contravention' can be up to 10% of the annual turnover obtained by the undertaking concerned in Hong Kong for each year the infringement lasted, with a maximum of three years. The Competition Tribunal may also order the disqualification of responsible directors for up to five years, award injunctions, declare agreements to be void, award damages, confiscate illegal profits, and order the payment of costs of the Competition Commission's investigation.

Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) (the "IER")

Regulation 4 of the IER provides that every person who imports any article other than an exempted article shall lodge an accurate and complete import declaration with the Commissioner of Customs and Excise within 14 days after the importation of the article.

Any person who fails to declare within 14 days after the importation without reasonable excuse is liable to a fine of HK\$1,000 upon summary conviction and a daily fine of HK\$100. The IER also provides that any person knowingly or recklessly lodges any declaration that is inaccurate in any material particular shall be liable to a fine of HK\$10,000 upon summary conviction.

Compliance with the relevant requirements

Our Directors confirmed that our Group has obtained all relevant permits/registrations/licences for its existing operations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

REGULATORY OVERVIEW

LAWS EXPECTED TO COME INTO FORCE WHICH MAY IMPACT THE BUSINESS OF THE GROUP

Security of payment legislation (the “SOPL”) for the construction industry

The Hong Kong government is currently formulating the SOPL to address unfair payment terms, payment delays and disputes in the construction industry. The SOPL purports to encourage fair payment, promote rapid dispute resolution and increase cash flow in the contractual chain.

The Hong Kong government initiated the SOPL to cover written and oral contracts that involve the supply of construction works, plant and materials in Hong Kong. All construction contracts in the public sector will be covered by the legislation, whereas only construction and supply contracts relating to a “new building” (as defined in the Buildings Ordinance) with a value exceeding HK\$5 million in the private sector will fall under the scope of the SOPL. Where the SOPL is applicable to a main contract, it will automatically apply to all related subcontracts.

It is proposed that the SOPL, after it comes into effect, will:

- (a) prohibit “pay when paid” terms and other similar terms in contracts, which refer to provisions in contracts that make payment contingent or conditional on the operation of other contracts or agreements, meaning that payment is conditional on the payer receiving payment from a third party;
- (b) prohibit payment periods of more than 60 calendar days for interim payments and 120 calendar days for final payments;
- (c) 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); and
- (d) grant parties who have not been paid amounts admitted as due the right to suspend the performance of works until such payment is made.

As at the Latest Practicable Date, the implement date of the SOPL has not been announced.

It is probable that some of the contracts of the Group will be caught by the new SOPL legislation and where such contracts are subject to SOPL, the Group will have to ensure that their terms comply with the legislation in this regard. SOPL is designed to assist contractors throughout the contractual chain to ensure cash-flow and access to a swift dispute resolution process and therefore it is generally considered that where SOPL applies, this will have a positive impact on ensuring that the Group get paid in a timely manner. On the other hand, as the Group generally pay the subcontractors within 30 to 60 days, our Directors consider that the payment pattern does not deviate from the SOPL and the payment practice and cash management will not be materially affected by the SOPL if it becomes effective.

HISTORY, DEVELOPMENT AND REORGANISATION

HISTORY AND BUSINESS DEVELOPMENT

Introduction

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 17 August 2018. Since its incorporation, our Company has been an investment holding company with no business operation. Pursuant to the Reorganisation, as more particularly described in the paragraph headed “Reorganisation” in this section, our Company became the holding company of our Group for the purpose of the Listing.

Our history can be traced back to 1989, when Acme Metal was established by Mr. Kwan, Mr. Mak and other founders. For the background and relevant industry experience of Mr. Kwan and Mr. Mak, please refer to the section headed “Directors and senior management” in this prospectus. Since the establishment of Acme Metal, we have been principally providing one-stop design and build solutions for façade works. In 2001, we expanded our business scope to include provision of one-stop design and build solutions for BMU system works through Acme Gondola. After years of development, according to the Ipsos Report, we ranked eighth in the façade works industry and first in the BMU system works industry in Hong Kong in 2018. According to the Ipsos Report, we are the only service provider in Hong Kong which provides one-stop design and build solutions for both façade works and BMU system works.

Our milestones

Set out below are the milestones in our business and corporate development:

Year	Event
1989	Acme Metal was incorporated to carry out façade works business
2001	We were awarded a façade works contract for a residential development project with 553 flats in nine towers located in Happy Valley
2001	Acme Gondola was incorporated to carry out BMU system works business
2003	We were awarded a BMU system works contract for a commercial development project for an amusement park located in Lantau Island
2004	We were awarded a façade works contract for a residential development project with 783 flats in two towers located at Tung Chung

HISTORY, DEVELOPMENT AND REORGANISATION

<u>Year</u>	<u>Event</u>
2005	Acme Metal became a member of the Hong Kong Façade Association
2008	We were awarded a BMU system works contract for a government building project located in Admiralty
2009	We were awarded a façade works contract for a residential development project with 715 flats in nine towers located in Ap Lei Chau
2010	Acme Metal was awarded ISO 9001 certification in recognition of its quality management system
2014	We were awarded a façade works contract for a residential development project with 680 flats in 27 towers located in Sai Kung
2015	We were awarded a BMU system works contract for a hospital project located in Pok Fu Lam
2016	We were awarded a BMU system works contract for a residential development project with 1,050 flats in seven towers located near Nam Cheong MTR station
2018	Acme Gondola was awarded ISO 9001 certification in recognition of its quality management system

CORPORATE DEVELOPMENT

Our Company

Our Company was incorporated as an exempted company with limited liability on 17 August 2018 in the Cayman Islands with an initial authorised share capital of HK\$380,000 divided into 38,000,000 Shares with par value of HK\$0.01 each. Following completion of our Reorganisation, our Company became the holding company of our Group and we conduct our business through Acme Metal and Acme Gondola.

As at the Latest Practicable Date, our Company was owned as to 50% by Mr. Kwan (through RR) and 50% by Mr. Mak (through SV), respectively. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of

HISTORY, DEVELOPMENT AND REORGANISATION

the Pre-IPO Share Options or any options which may be granted under the Share Option Scheme), the interests of Mr. Kwan and Mr. Mak will decrease to 37.5% and 37.5% respectively. Accordingly, Mr. Kwan, RR, Mr. Mak and SV will be our Controlling Shareholders upon Listing.

Acme Metal

Acme Metal was incorporated in Hong Kong as a limited liability company on 8 December 1989 with an initial authorised share capital of HK\$3,000,000 divided into 3,000,000 shares of HK\$1.00 each. Upon incorporation, one subscriber share of HK\$1.00 each was allotted and issued at par, to each of Mr. Pong and Mr. Kong Qing Sen, an Independent Third Party.

On 9 December 1989, Acme Metal allotted and issued 1,040,000 shares and 360,000 shares at par to Yong Li Jian Aluminum Company Limited and Broad Funds Limited respectively, each of whom an Independent Third Party. On the same day, 199,999 shares were allotted and issued at par to each of Mr. Pong and Mr. Kwan, and 200,000 shares were allotted and issued at par to Mr. Mak. On 21 December 1989, Mr. Kong Qing Sen transferred his one share to Mr. Kwan at a consideration of HK\$1.00. Upon completion of such allotment, issue and transfer, Acme Metal was held as to 52% by Yong Li Jian Aluminum Company Limited, 18% by Broad Funds Limited and 10% by each of Mr. Pong, Mr. Kwan and Mr. Mak.

On 12 November 1993, a total of 1,000,000 shares were allotted and issued at par to Yong Li Jian Aluminum Company Limited (as to 520,000 shares), Broad Funds Limited (as to 180,000 shares), Mr. Pong (as to 100,000 shares), Mr. Kwan (as to 100,000 shares) and Mr. Mak (as to 100,000 shares). Upon completion of such allotment and issue, Acme Metal was held as to 52% by Yong Li Jian Aluminum Company Limited, 18% by Broad Funds Limited and 10% by each of Mr. Pong, Mr. Kwan and Mr. Mak.

On 12 June 1998, each of Mr. Kwan and Mr. Mak acquired 780,000 shares from Yong Li Jian Aluminum Company Limited at a consideration of HK\$832,000. On 26 October 1998, each of Mr. Kwan and Mr. Mak further acquired 270,000 shares from Broad Funds Limited at a consideration of HK\$300,000. Upon completion of such acquisitions, Acme Metal was held as to 45% by Mr. Kwan, 45% by Mr. Mak and 10% by Mr. Pong.

On 30 October 2002, Mr. Kwan and Mr. Mak transferred 210,000 shares and 240,000 shares respectively, both for a consideration of HK\$1.00 to Mr. Pong. Upon completion of such transfer, Acme Metal was held as to 38% by Mr. Kwan, 37% by Mr. Mak and 25% by Mr. Pong.

As a result of the Reorganisation, Acme Metal became an indirectly wholly-owned subsidiary of our Company. Please refer to the paragraph headed “Reorganisation” in this section for further detail.

Acme Metal principally provides design and build solutions for façade works.

HISTORY, DEVELOPMENT AND REORGANISATION

Acme Gondola

Acme Gondola was incorporated in Hong Kong as a limited liability company on 17 January 2001 with an initial authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Upon incorporation, one subscriber share of HK\$1.00 each was allotted and issued at par, to each of Mr. Kwan, Mr. Mak, Mr. Poon and Mr. Lee Cheung Fat Kevin (“**Mr. Lee**”), an Independent Third Party.

On 1 February 2001, a total of 996 shares were allotted and issued at par to Mr. Kwan (as to 224 shares), Mr. Mak (as to 224 shares), Mr. Poon (as to 249 shares) and Mr. Lee (as to 299 shares). Upon completion of such allotment and issue, Acme Gondola was held as to 22.5% by Mr. Kwan, 22.5% by Mr. Mak, 25% by Mr. Poon and 30% by Mr. Lee.

On 17 July 2002, an ordinary resolution was passed to increase the authorised share capital of Acme Gondola from HK\$10,000 to HK\$100,000 divided into 100,000 shares of HK\$1.00 each. On the same day, a total of 99,000 shares were allotted and issued at par to Mr. Kwan (as to 25,475 shares), Mr. Mak (as to 24,775 shares) and Mr. Poon (as to 48,750 shares). Upon completion of such allotment and issue, Acme Gondola was held as to 25.7% by Mr. Kwan, 25% by Mr. Mak, 49% by Mr. Poon and 0.3% by Mr. Lee. Subsequently on 6 August 2003, Mr. Kwan acquired 300 shares from Mr. Lee at a consideration of HK\$1.00.

Pursuant to a deed of confirmation in relation to the trust arrangement in Acme Gondola executed by Mr. Poon, Mr. Kwan and Mr. Mak on 23 October 2018, Mr. Poon confirmed, among other things, that since incorporation of Acme Gondola, Mr. Poon has been holding certain shares in Acme Gondola for and on behalf of Mr. Kwan and Mr. Mak, and since 6 August 2003, he had been the registered and legal owner of 49,000 shares in Acme Gondola, with him holding (i) 24,000 shares in Acme Gondola on trust for and on behalf of Mr. Kwan, being one of the beneficiaries; and (ii) 25,000 shares on trust for and on behalf of Mr. Mak, being the other beneficiary. In or around 2000, Mr. Kwan and Mr. Mak realised there was business potential in the BMU system works industry in Hong Kong, and contemplated to expand our Group’s business into the industry, which at that time only had a handful of active market players according to their understanding. Through the introduction by a business acquaintance, Mr. Kwan and Mr. Mak became acquainted with Mr. Poon, who, despite his age of only 26, had accumulated around three years of working experiences in the business operations as well as the installation, repair and maintenance services in relation to the BMU system works and had been involved in some large-scale BMU system works projects. After considering the limited pool of experienced personnel among the handful of active market players in the BMU system works industry in Hong Kong at that time and conducting background check on Mr. Poon’s past working experience, Mr. Kwan and Mr. Mak believed that Mr. Poon had the requisite knowledge and expertise to assist our Group in commencing and developing our business venture in the BMU system works industry. Accordingly, Mr. Kwan and Mr. Mak decided to recruit Mr. Poon to assist them in commencing the business of Acme Gondola.

HISTORY, DEVELOPMENT AND REORGANISATION

During the material times when the trust arrangement between Mr. Poon, Mr. Mak and Mr. Kwan was adopted, Acme Gondola was a mere new set-up and with limited business scale. It was a “venture-like” business undertaken by Mr. Mak and Mr. Kwan with the help of Mr. Poon. It was also Mr. Mak and Mr. Kwan’s understanding that customers of the BMU system works industry at the relevant time valued much, when deciding whether to award a project to a specific company, the relevant contact person’s reputation in the industry and his position in the relevant company. As such, after due consideration of the business expansion needs of Acme Gondola, and the job nature which had been assigned to Mr. Poon (i.e. business development and negotiations), Mr. Mak and Mr. Kwan decided to, via the trust arrangement, register Mr. Poon as a shareholder of Acme Gondola to give apparent authority to Mr. Poon to facilitate his work nature of business development and dealing with clients so as to gain trust and recognition from potential customers. It was Mr. Mak and Mr. Kwan’s belief that Mr. Poon, in his capacity as a shareholder and a director of Acme Gondola, would give an impression of authority and reliability to potential customers. Mr. Mak and Mr. Kwan also believed that such apparent interest of Mr. Poon in Acme Gondola could eventually enhance the reputation of Mr. Poon among potential customers in the industry and help in obtaining new business during the course of business development process.

Our Directors confirm that, save that Mr. Poon is the project director of our Group and a director of Acme Gondola, Mr. Poon did not have any relationship or arrangement (including employment, family, business, financing, guarantee or otherwise) with Mr. Kwan, Mr. Mak, our Company and our subsidiaries or any of their respective associates.

As a result of the Reorganisation, Acme Gondola became an indirect wholly-owned subsidiary of our Company. Please refer to the paragraph headed “Reorganisation” in this section for further detail.

Acme Gondola principally provides design and build solutions for BMU systems.

HISTORY, DEVELOPMENT AND REORGANISATION

PARTIES ACTING COLLECTIVELY

Pursuant to the Confirmatory Deed in relation to Parties Acting Collectively, Mr. Kwan and Mr. Mak, being our Controlling Shareholders, confirmed their arrangements to act collectively (the “**Arrangements**”) in respect of Acme Metal and Acme Gondola (collectively referred to as the “**HK Companies**”) since the date they became legally and/or beneficially interested in the issued shares of each of the HK Companies, whereby:

- (a) they have managed and controlled the HK Companies on a collective basis and have made collective decisions in respect of the material management matters;
- (b) they have agreed to centralise, and have centralised, the ultimate control and right to make final decisions with respect to their interests in the businesses and projects of the HK Companies;
- (c) they have agreed to consult, and have consulted, each other in advance so as to reach unanimous consensus among themselves in respect of such matters being the subject matters of any shareholders’ resolution, prior to putting forward such resolution to be passed at any shareholders’ meeting of the HK Companies, and have historically voted on such resolutions in the same way; and
- (d) they have been enjoying the economic benefits generated, including but not limited to, dividends declared from the businesses and projects of the HK Companies in proportion to their respective shareholdings in the HK Companies.

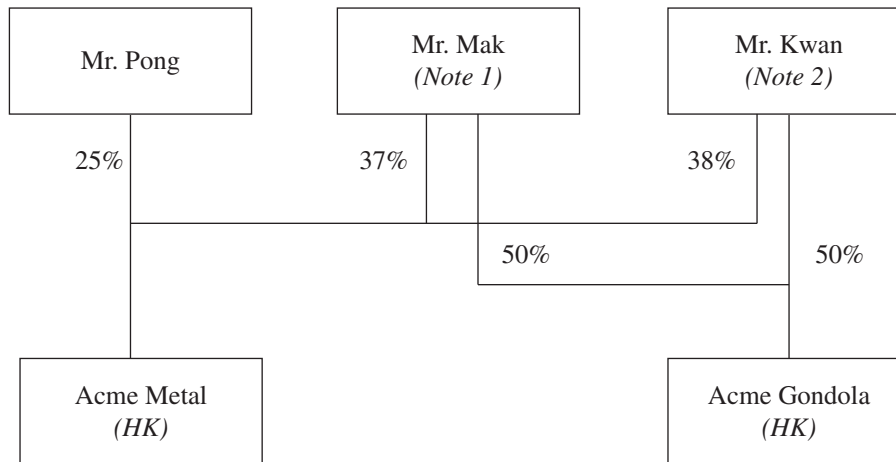
Mr. Kwan and Mr. Mak had further undertaken that they would continue to manage and operate the HK Companies under the Arrangements until the termination of the Confirmatory Deed in relation to Parties Acting Collectively which shall take immediate effect at 9:30 a.m. on the Listing Date, as Mr. Kwan and Mr. Mak had confirmed that they did not intend to act collectively over the management and operation of our Group after the Listing.

HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

Group structure before the Reorganisation

In July 2018, we commenced the Reorganisation in preparation for the Listing. The following chart sets out the shareholding and corporate structure of our Group immediately prior to the commencement of the Reorganisation:



Notes:

- (1) 25,000 shares in Acme Gondola (representing 25% of its entire issued share capital) were held by Mr. Poon on trust for and on behalf of Mr. Mak.
- (2) 24,000 shares in Acme Gondola (representing 24% of its entire issued share capital) were held by Mr. Poon on trust for and on behalf of Mr. Kwan.

Reorganisation steps

In preparation for the Listing, we have carried out the Reorganisation which involved the following steps:

Incorporation of RR and SV

On 16 July 2018, RR was incorporated in the BVI with limited liability. As at the date of its incorporation, RR was initially authorised to issue a maximum of 50,000 ordinary shares of a single class without par value. On the same day, Mr. Kwan subscribed for one ordinary share in RR at a subscription price of US\$1.00 per share, which has been fully paid.

On 16 July 2018, SV was incorporated in the BVI with limited liability. As at the date of its incorporation, SV was initially authorised to issue a maximum of 50,000 ordinary shares of a single class without par value. On the same day, Mr. Mak subscribed for one ordinary share in SV at a subscription price of US\$1.00 per share, which has been fully paid.

Upon completion of this step, RR and SV became wholly owned by Mr. Kwan and Mr. Mak respectively.

HISTORY, DEVELOPMENT AND REORGANISATION

Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability on 17 August 2018 in the Cayman Islands to act as a holding company of our Group. The initial authorised share capital of our Company, on incorporation, was HK\$380,000 divided into 38,000,000 Shares. On the same day, one Share was allotted and issued, credited as fully paid, to our Company's initial subscriber who is an Independent Third Party. On the same day, the initial subscriber transferred such Share to SV.

On 19 February 2019, RR subscribed for one Share, at a subscription price of HK\$0.01 per Share, which has been fully paid.

As a result, our Company was owned as to 50% by Mr. Kwan (through RR) and 50% by Mr. Mak (through SV).

Incorporation of Acme Metal BVI and Acme Gondola BVI

On 27 August 2018, Acme Metal BVI was incorporated in the BVI with limited liability. As at the date of its incorporation, Acme Metal BVI was initially authorised to issue up to a maximum of 50,000 ordinary shares of a single class without par value. Upon incorporation, our Company subscribed for one ordinary share in Acme Metal BVI at a subscription price of US\$1.00, which was fully paid.

On 27 August 2018, Acme Gondola BVI was incorporated in the BVI with limited liability. As at the date of its incorporation, Acme Gondola BVI was initially authorised to issue up to a maximum of 50,000 ordinary shares of a single class without par value. Upon incorporation, our Company subscribed for one ordinary share in Acme Gondola BVI at a subscription price of US\$1.00, which was fully paid.

As a result, each of Acme Metal BVI and Acme Gondola BVI became a wholly-owned subsidiary of our Company.

Disposals of the Excluded Properties

Prior to the Reorganisation, Acme Metal was the legal and beneficial owner of the Wong's Property and the Wai Yip Property (collectively, the "**Excluded Properties**"). The Wong's Property was used by Acme Metal and Acme Gondola as design and work site offices for the façade works projects and BMU system works projects, and the Wai Yip Property was used by Acme Metal and Acme Gondola as warehouses for storage of archived documents and unused materials.

On 16 August 2018, Acme Metal (as transferor) and Million Pro (as transferee) entered into a sale and purchase agreement, pursuant to which Acme Metal disposed of the Wong's Property to Million Pro for a total consideration of HK\$34,200,000, which was determined based on the fair market value of the Wong's Property as at 31 July 2018 as appraised by an independent valuer. The disposal was completed on 27 September 2018 and settled on 28 September 2018.

HISTORY, DEVELOPMENT AND REORGANISATION

On 16 August 2018, Acme Metal (as transferor) and Hope Harvest (as transferee) entered into a sale and purchase agreement, pursuant to which Acme Metal disposed of the Wai Yip Property to Hope Harvest for a total consideration of HK\$18,900,000, which was determined based on the fair market value of the Wai Yip Property as at 31 July 2018 as appraised by an independent valuer. The disposal was completed on 27 September 2018 and settled on 28 September 2018.

Upon completion of the above disposals, Acme Metal ceased to have any interest in the Excluded Properties.

The disposals of the Excluded Properties took place as our Directors considered that the Excluded Properties were not principal assets of our Group and do not form substantial part of our Group's principal operations. The Wong's Property was our Group's design and work site offices for the façade works projects and BMU system works projects from 23 May 2005 to 10 September 2018.

In preparation for the Listing, it was noted that the government lease in respect of the lot on which the Wong's Property is erected contains restrictions, such that the Wong's Property shall only be used for "factory and ancillary offices and quarters for persons essential to the safety and security of the building". Our Directors initially believed that the continued use of the Wong's Property as design and work site offices for our Group's façade works projects and BMU system works projects might not fall within the permitted user of "ancillary offices" under the relevant government lease. As such, our Directors were of the view that it would be prudent to mitigate any risk of uncertainty if there is any potential non-compliance by relocating the offices to another premises (i.e. our current headquarters and principal place of business in Hong Kong) (the "**Yin Da Property**") which permitted user includes "office". Furthermore, the saleable area of the Yin Da Property is approximately 10,300 sq. ft., whereas that of the Wong's Property is approximately 7,261 sq. ft. The larger floor area of the Yin Da Property will allow our Company to accommodate our business growth and the future expansion plans, which include, among other things, the expansion of the workforce to enhance our capacity to undertake more design and build projects.

The relocation of our Group's offices from the Wong's Property to the Yin Da Property would leave the Wong's Property vacant, and our Group had no other immediate plans for the Wong's Property in connection with our operations. Further, our Directors had no current intention to engage in or expand into the business of leasing factory building units for rental income, as this will not be in line with the principal business of our Group. As such, our Directors were of the view that it would be in the interests of our Company and our Shareholders to dispose of the Wong's Property at fair market value.

The Wai Yip Property was not material to our Group's principal operations because storage space that are similar or comparable to the Wai Yip Property can, in our Directors' opinion, be readily accessible to our Group in Hong Kong. However, since our Group has already been storing its archived documents and unused materials at the Wai Yip Property, our Directors considered that it would be more cost-efficient and less disruptive to rent the Wai Yip

HISTORY, DEVELOPMENT AND REORGANISATION

Property for a term of two years at market rent, as opposed to relocating its documents and unused materials to another premises at the time when our Company was also relocating its offices (from the Wong's Property to the Yin Da Property) and preparing for the Listing. As such, we have rented the Wai Yip Property from Hope Harvest since 27 September 2018 for a term of two years, which will continue after the Listing. Please refer to the section headed "Business – Properties – Leased properties" in this prospectus for further detail. We will review by the end of the lease term whether to (i) renew the lease, (ii) look for another storage premises, or (iii) look for a larger office premises that can also house its documents at the same premises.

Sale of 25% of the entire issued share capital in Acme Metal from Mr. Pong to Mr. Kwan and Mr. Mak

Prior to the Reorganisation, Acme Metal was owned as to 38% by Mr. Kwan, 37% by Mr. Mak and 25% by Mr. Pong. Mr. Pong had more than 40 years of experience as a businessman in Hong Kong, running his family business in trading of petroleum products. He was introduced to Mr. Kwan and Mr. Mak by a shareholder of the construction company which Mr. Kwan and Mr. Mak had both worked for.

In December 1989, Mr. Pong co-founded Acme Metal with Mr. Kwan, Mr. Mak and two other shareholders and was appointed as a director of Acme Metal. Since then and up to the disposal of all his interests in Acme Metal in January 2019, Mr. Pong was not actively involved in the daily operation of Acme Metal and was primarily responsible for advising on strategy and business development of Acme Metal. Other than Acme Metal, Mr. Pong had no directorship in other subsidiaries of our Company.

At the time when our Company began to prepare for the Listing, Mr. Pong, then aged 83, decided not to partake in the Listing process, having regard to his age and health condition and that it would be too demanding for him to go through the Listing process. As such, Mr. Pong decided to dispose of his interests in Acme Metal to Mr. Kwan and Mr. Mak, and use the proceeds from the disposal for retirement planning purpose. In view of their longstanding relationship, Mr. Kwan and Mr. Mak accepted Mr. Pong's offer to sell his interests in Acme Metal to them. An independent valuer was engaged to assess the fair value of Acme Metal as at 30 September 2018 (the "**Valuation**"), based on which Mr. Kwan, Mr. Mak and Mr. Pong agreed the final consideration for the sale and purchase of all of Mr. Pong's interests in Acme Metal.

Accordingly, on 27 December 2018, Mr. Pong and Mr. Kwan entered into a sale and purchase agreement, pursuant to which Mr. Pong agreed to sell and Mr. Kwan agreed to purchase 360,000 shares in Acme Metal (representing 12% of the entire issued share capital in Acme Metal) for a consideration of HK\$25,920,000, which was determined based on arm's length negotiation between the parties, and with reference to the Valuation. The transaction was completed and settled on 31 January 2019.

HISTORY, DEVELOPMENT AND REORGANISATION

On 27 December 2018, Mr. Pong and Mr. Mak entered into a sale and purchase agreement, pursuant to which Mr. Pong agreed to sell and Mr. Mak agreed to purchase 390,000 shares in Acme Metal (representing 13% of the entire issued share capital in Acme Metal) for a consideration of HK\$28,080,000, which was determined based on arm's length negotiation between the parties, and with reference to the Valuation. The transaction was completed and settled on 31 January 2019.

Upon completion of the above transactions, Mr. Pong ceased to have any interest in Acme Metal.

Upon completion of above transactions, Acme Metal was owned as to 50% by Mr. Kwan and 50% by Mr. Mak.

Acquisitions of Acme Metal and Acme Gondola

Immediately prior to the acquisitions, (i) Acme Metal was owned as to 50% by each of Mr. Kwan and Mr. Mak; and (ii) Acme Gondola was beneficially owned as to 50% by Mr. Kwan and 50% by Mr. Mak. 24,000 shares in Acme Gondola (representing 24% of its issued share capital) and 25,000 shares in Acme Gondola (representing 25% of its issued share capital) were held by Mr. Poon on trust for and on behalf of Mr. Kwan and Mr. Mak, respectively.

On 28 February 2019, Mr. Kwan, Mr. Mak, RR, SV, our Company, Acme Metal BVI and Acme Metal entered into a reorganisation agreement, pursuant to which Mr. Kwan (as legal and beneficial owner) and Mr. Mak (as legal and beneficial owner) transferred their respective shares in Acme Metal (representing the entire issued share capital of Acme Metal), to Acme Metal BVI. In consideration of and in exchange for the above transfer, and at the instructions of Mr. Kwan and Mr. Mak, our Company issued and allotted one Share to each of RR and SV, all credited as fully paid on 28 February 2019. The consideration was determined based on the net asset value of Acme Metal as at 31 December 2018.

On 28 February 2019, Mr. Kwan, Mr. Mak, RR, SV, our Company, Acme Gondola BVI, and Acme Gondola entered into a reorganisation agreement, pursuant to which Mr. Kwan (as legal and beneficial owner), Mr. Mak (as legal and beneficial owner) and Mr. Poon (as legal owner) transferred their respective shares in Acme Gondola (representing the entire issued share capital of Acme Gondola), to Acme Gondola BVI. In consideration of and in exchange for the above transfer, and at the instructions of Mr. Kwan and Mr. Mak, our Company issued and allotted one Share to each of RR and SV, all credited as fully paid on 28 February 2019. The consideration was determined based on the net asset value of Acme Gondola as at 31 December 2018.

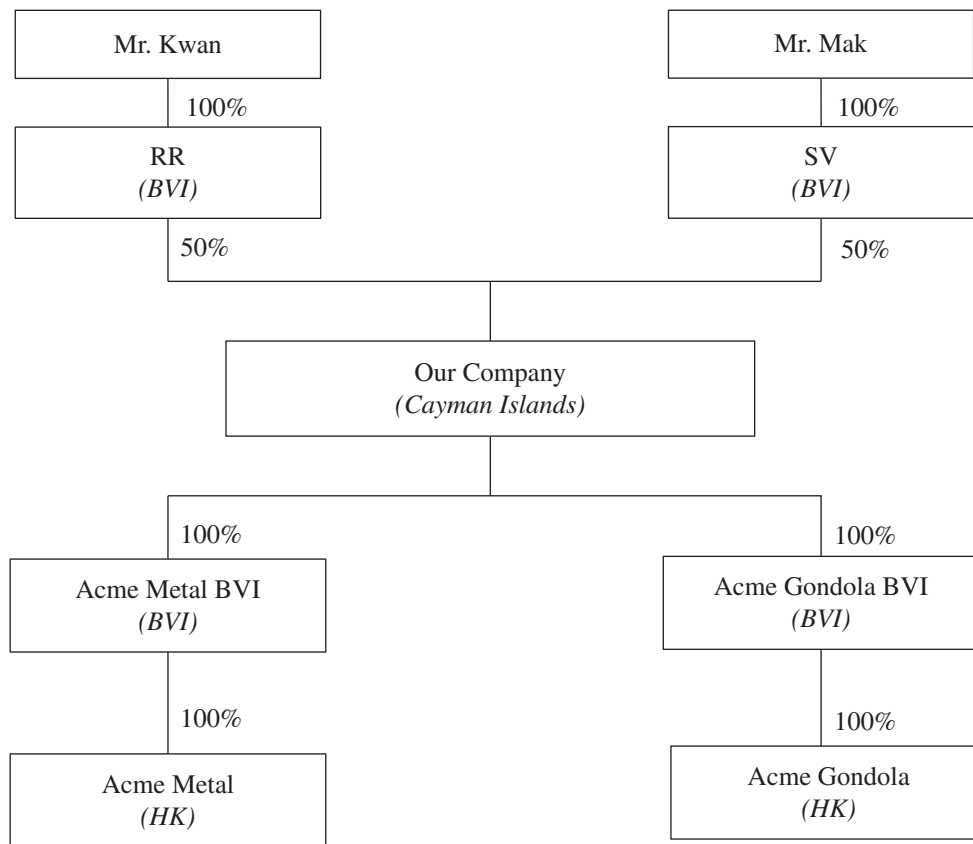
Upon completion of above transfers, each of Acme Metal and Acme Gondola became an indirect wholly-owned subsidiary of our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

As confirmed by our Directors, each of the share transfers made in the Reorganisation was properly and legally completed and settled. No approval or permit is required from the regulatory authorities in Hong Kong.

Group structure after the Reorganisation

The following chart sets forth the shareholding and corporate structure of our Group immediately after the completion of the Reorganisation but before the completion of the Capitalisation Issue and the Global Offering:



INCREASE IN AUTHORISED SHARE CAPITAL

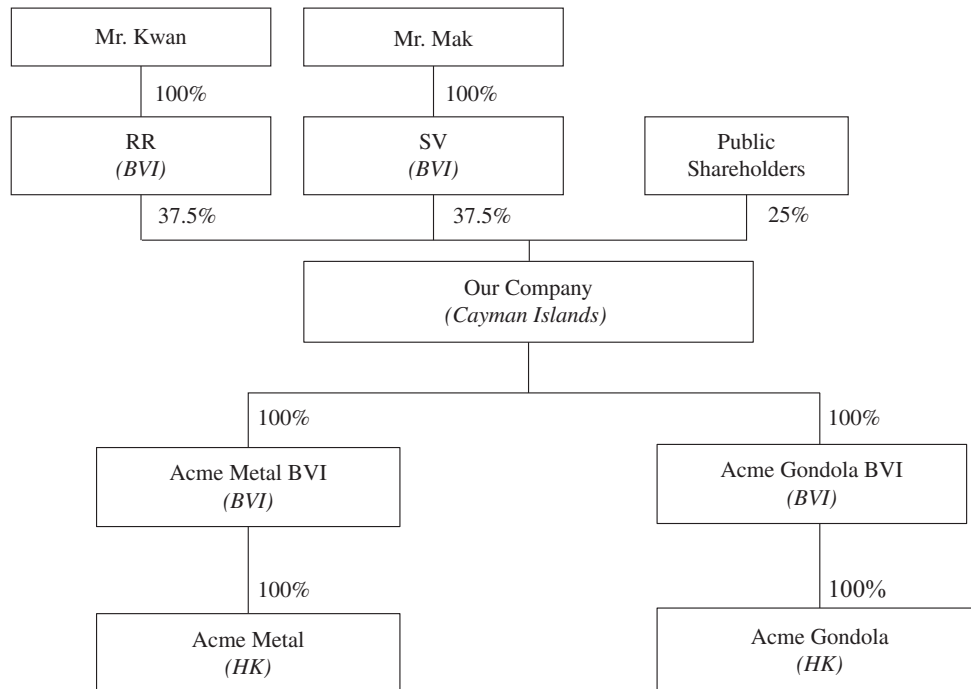
On 18 October 2019, our Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 Shares of HK\$0.01 each by the creation of an additional 3,962,000,000 Shares of HK\$0.01 each.

HISTORY, DEVELOPMENT AND REORGANISATION

CAPITALISATION ISSUE

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors are authorised to capitalise an amount of HK\$3,899,999.94 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 389,999,994 Shares for allotment and issue to our Shareholders as at 18 October 2019.

The following chart sets forth the shareholding and corporate structure of our Group immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options or any options which may be granted under the Share Option Scheme):



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OVERVIEW

Founded in 1989, we are a reputable design and build solution service provider for façade works and BMU system works in Hong Kong with proven track record. According to the Ipsos Report, we are the only service provider in Hong Kong which provides one-stop design and build solutions for both façade works and BMU system works. Our design and build solution services in relation to façade works and BMU system works generally cover design, preparation of shop drawings and structural calculations, procurement of building materials and BMU systems, installation and logistics arrangement services, on-site project supervision, post-completion maintenance services and project management. To a smaller extent, we also provide one-off repair and maintenance services for façade works and one-off and regular repair and maintenance services for BMU system works. Our façade works focus on private sector and cover residential buildings and commercial buildings. Our BMU system works cover both private and public sectors and cover residential buildings, commercial buildings, industrial buildings as well as community facilities. Our customers are primarily main contractors.

During the Track Record Period, we had completed a total of 103 design and build projects, of which 19 projects were related to façade works and 84 projects were related to BMU system works. For the three years ended 31 December 2018 and the four months ended 30 April 2019, our total revenue amounted to approximately HK\$481.0 million, HK\$423.8 million, HK\$466.1 million and HK\$170.7 million, respectively. During the Track Record Period, all of our revenue was derived from Hong Kong.

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

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Façade works	349,747	72.7	300,547	70.9	264,033	56.6	81,711	52.4	76,590	44.9
BMU system works	131,295	27.3	123,204	29.1	202,096	43.4	74,246	47.6	94,080	55.1
Total	481,042	100.0	423,751	100.0	466,129	100.0	155,957	100.0	170,670	100.0

The following table sets forth a breakdown of our revenue during the Track Record Period by private and public sectors:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Private sector	473,828	98.5	420,543	99.2	457,358	98.1	153,949	98.7	168,357	98.6
Public sector	7,214	1.5	3,208	0.8	8,771	1.9	2,008	1.3	2,313	1.4
Total	481,042	100.0	423,751	100.0	466,129	100.0	155,957	100.0	170,670	100.0

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

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Residential buildings	417,628	86.8	341,139	80.5	388,710	83.4	128,943	82.7	147,368	86.4
Commercial buildings	42,444	8.8	78,575	18.5	71,131	15.3	25,573	16.4	20,179	11.8
Industrial buildings	6,485	1.3	1,093	0.3	4,449	1.0	533	0.3	1,871	1.1
Community facilities	14,485	3.1	2,944	0.7	1,839	0.3	908	0.6	1,252	0.7
Total	481,042	100.0	423,751	100.0	466,129	100.0	155,957	100.0	170,670	100.0

We typically secure new businesses through direct invitation for tendering by our existing customers or potential customers. Our customers are primarily main contractors. During the Track Record Period, all of our major customers were located in Hong Kong and all of our revenue was denominated in HK\$. For the three years ended 31 December 2018 and the four months ended 30 April 2019, revenue attributable to our largest customer accounted for approximately 51.2%, 58.2%, 52.0% and 45.1% of our total revenue, while revenue attributable to our five largest customers in aggregate accounted for approximately 86.0%, 87.1%, 82.2% and 84.4% of our total revenue, respectively. We have maintained business relationships with our five largest customers for one to 18 years.

Our suppliers generally include (i) suppliers for building materials, such as aluminium, steel and glass; (ii) suppliers for BMU systems; and (iii) suppliers for miscellaneous services, such as transportation. During the Track Record Period, our major suppliers were located in Hong Kong, Spain and the PRC and our purchases were generally denominated in HK\$, RMB and EUR. For the three years ended 31 December 2018 and the four months ended 30 April 2019, purchases attributable to our largest supplier accounted for approximately 24.4%, 21.1%, 44.9% and 36.3% of our total purchases, while purchases attributable to our five largest suppliers in aggregate accounted for approximately 71.2%, 60.4%, 69.1% and 77.8% of our total purchases, respectively. We have maintained business relationships with our five largest suppliers for one to 13 years.

During the Track Record Period, we subcontracted installation works and fabrication works to our subcontractors. All of our subcontractors are engaged on a project-by-project basis and we are responsible for supervising the works performed by them. For the three years ended 31 December 2018 and the four months ended 30 April 2019, subcontracting charges attributable to our largest subcontractor accounted for approximately 20.1%, 21.5%, 14.7% and

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18.2% of our total subcontracting charges, while subcontracting charges attributable to our five largest subcontractors in aggregate accounted for approximately 57.5%, 60.8%, 56.2% and 51.2% of our total subcontracting charges, respectively.

COMPETITIVE STRENGTHS

Our Directors believe that there are several competitive strengths which differentiate us from our competitors and enable us to continue our growth and enhance our profitability. Such competitive strengths include:

The only one-stop design and build solution service provider for both façade works and BMU system works in Hong Kong with a leading market position in the BMU system works industry

We are a reputable design and build solution service provider in Hong Kong with proven track record. We principally engage in two business streams, namely the provision of (i) façade works; and (ii) BMU system works. According to the Ipsos Report, we are the only service provider in Hong Kong which provides one-stop design and build solutions for both façade works as well as BMU system works. We ranked (i) eighth among the top 10 design and build solution service providers for façade works in Hong Kong in 2018 in terms of revenue with a market share of approximately 4.7%; and (ii) first among the top five design and build solution service providers for BMU system works in Hong Kong in 2018 in terms of revenue with a market share of approximately 49.9% according to the Ipsos Report.

Being a one-stop design and build solution service provider for both façade works and BMU system works, the services provided by us generally range from design, preparation of shop drawings and structural calculations, procurement of building materials and BMU systems, installation and logistics arrangement services, on-site project supervision, post-completion maintenance services to project management.

Our Directors consider that we differentiate ourselves from other service providers, none of which specialises in both of our two business streams, by offering a complete one-stop design and build solution to our customers. By engaging us, we believe our customers could benefit from time and financial costs savings that would otherwise be spent on searching for multiple parties to perform different stages of works and managing different parties involved in a project. In a design and build project, we typically communicate with our customers from time to time throughout the project and provide tailor-made solutions to meet their requirements. For instance, the BMU systems that we provide to our customers are typically custom-made with their technical specifications designed for the practical needs of our customers and in accordance with the structural requirements of the buildings on which the BMU systems are to be installed. We also coordinate with different parties involved in a project and regularly monitor our work quality and progress so as to ensure that the projects are completed within the expectation of our customers.

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One of the synergies of specialising in both façade works and BMU system works is that when we provide both types of services in the same project, we can leverage on the latest information regarding on-site environment, work flow, changes to work specifications and other project details gained from one stream that has already commenced construction work to better manage our work in the other stream, which gives us the advantages of formulating our design more accurately, executing the project with better time management and allocating our workforce more efficiently. During the Track Record Period, we undertook 15 façade works projects in which we also provided BMU system works services, of which 11 were related to Customer A, two to Customer B, one to Customer E and one to a customer not being one of our five largest customers. The total awarded contract sum of these façade works projects and BMU system works projects were approximately HK\$813.1 million and HK\$168.3 million, respectively. The total revenue recognised from these façade works projects and BMU system works projects during the Track Record Period were approximately HK\$370.3 million and HK\$78.7 million, respectively. In addition, certain building materials such as metal parts are used in both façade works and BMU system works. As such, we enjoy a certain level of economy of scale and stronger bargaining power by purchasing such building materials from the same suppliers at more competitive prices.

Moreover, as façade works and BMU system works are both part of the construction industry and have a common pool of main contractors and developers, we believe that our reputation in terms of reliability and work quality in one stream is likely to enhance potential customers' confidence in engaging us in the other stream and thus increase our chance in securing new projects in that stream. This in turn helps us capture more business opportunities and expand our market presence in both streams.

We believe that our capability to provide one-stop design and build solutions for both façade works as well as BMU system works is a crucial factor that differentiates us from other service providers, which enables us to capture new business opportunities.

Well-established reputation with solid track record in the façade works industry and BMU system works industry in Hong Kong

Founded in 1989, we have over 29 years of experience in façade works industry in Hong Kong, and over 18 years of experience in BMU system works industry in Hong Kong since our expansion into the BMU system works market in 2001. During the Track Record Period, we completed a total of 103 design and build projects, of which 19 projects were related to façade works and 84 projects were related to BMU system works. As at the Latest Practicable Date, we had 99 design and build projects on hand, representing projects with engagement confirmed and not yet completed, with total awarded contract sum of approximately HK\$1,583.1 million.

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Each of Acme Metal and Acme Gondola, our operating subsidiaries, is a registered subcontractor under the registration scheme of the Construction Industry Council, which is aimed to build up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics. Further, Acme Metal is a registered minor works contractor under the Buildings Department and Acme Gondola is a registered electrical contractor under the Electrical and Mechanical Services Department. We have also received numerous awards in recognition of our performance, as detailed in the paragraph headed “Business – Awards and recognition” in this section, such as the recognition of Quality Contractor (Windows) from the Hong Kong Professional Building Inspection Academy in 2015, 2017, 2018 and 2019. We believe that these qualifications as well as awards and recognition reinforce our reputation for providing reliable and quality services.

Having a solid track record and good reputation is important in the façade works industry and BMU system works industry in Hong Kong. When selecting a façade works and BMU system works contractor, the property developer or main contractor will usually consider the track record and reputation of the contractor in terms of quality of works, design capability, project management and timeliness of project completion. Contractors with experiences and good record in the industry are therefore able to demonstrate their past project experiences to impress the client, which ultimately are more likely to obtain more business opportunities. As mentioned below under this section, we have established long-term business relationships with our major customers, including several construction contractors which are subsidiaries of reputable property developers listed on the Stock Exchange and other large-scale construction contractors. We believe that our ability to secure recurring business opportunities from these customers is built upon our satisfactory performance over the years and it strengthens our reputation for providing reliable and quality services.

In view of our operating history, project references and qualifications as mentioned above, we believe that we have established good reputation with a solid track record in the façade works industry and BMU system works industry in Hong Kong.

Long-term business relationships with our major customers and major suppliers

We have established long-term business relationships with our major customers, including several construction contractors which are subsidiaries of reputable property developers listed on the Stock Exchange and other large-scale construction contractors. We have maintained over 15 years of business relationships with our two largest customers and up to 15 years of business relationships with some other major customers during the Track Record Period. Our long-term business relationships with our major customers demonstrate their recognition of the quality and reliability of our services, which in turn would enhance our reputation in the market and provide us with a competitive advantage to secure future contracts, a steady flow of repeat business and revenue, and serves as a testament for us in marketing and business development with new customers. Further, we believe our understanding of our customers’ needs and expectation gained from our long-term business relationships would increase their confidence in our services and help us secure recurring business opportunities.

BUSINESS

We have also maintained stable business relationships with our major suppliers, including some large-scale building material suppliers and two well-established BMU system suppliers for up to 13 years. We have entered into a long-term agreement with Supplier A, pursuant to which we are granted the exclusive right to sell the BMU systems manufactured by them within Hong Kong up to 31 August 2031. Supplier C has also granted us the exclusive right to sell the BMU systems manufactured by them up to 31 December 2040 without any geographical restriction. For further details relating to the long-term agreement with Supplier A, please refer to the paragraph headed “Suppliers – Salient purchase terms” below in this section.

By maintaining stable relationships with our major suppliers, we believe it helps us ensure a stable supply of building materials and BMU systems, and thereby allowing us to effectively maintain the timeliness and quality of our services, which is a crucial factor for us to maintain a good reputation in the façade works industry and BMU system works industry.

Management team with extensive industry knowledge and experience

We have a stable and experienced management team with extensive industry knowledge and experience in both façade works industry and BMU system works industry in Hong Kong. Each of our executive Directors, Mr. Kwan and Mr. Mak, has more than 30 years of experience in the construction industry in Hong Kong. Other members of our senior management also possess the requisite industry knowledge and experience in project execution as well as expertise in façade works industry and BMU system works industry. The qualifications and experience of our management team facilitate the formulation of competitive tenders, which are essential in securing new business opportunities, and in carrying out efficient and timely execution and management of our projects. Please refer to the section headed “Directors and senior management” in this prospectus for further details.

We believe the industry experience, knowledge and stability of our management team have significantly contributed to the success of our operations and business growth, and are instrumental to our long-term development.

Stringent quality control measures to ensure reliable and satisfactory services

We place strong emphasis to maintain safety standard and quality control as they can directly affect our reputation, service quality and profitability. We adopt stringent quality control measures throughout different stages of our projects to ensure that our performance is satisfactory. We follow the ISO 9001:2015 standards and guidelines in developing designs for our façade works and BMU system works. Acme Metal and Acme Gondola have been awarded ISO 9001 certifications in recognition of our quality management system since 2010 and 2018, respectively.

We have internal policies that our staff are required to follow when sourcing building materials and selecting suppliers and subcontractors. We maintain a list of approved suppliers and subcontractors, which are selected based on a number of criteria, such as relevant certifications, reputation, track record, capacity, price, quality and timely delivery. We conduct appraisals of our suppliers and subcontractors and only those who can meet the standard of our customers and our Group will be engaged by us. We regularly conduct on-site inspection of our suppliers and subcontractors to ensure that their quality of work can meet the standard of our customers and our Group.

BUSINESS

For each project, we typically form a project management team led by a project manager who is responsible for the overall quality control of our work. Our project managers possess relevant industry knowledge and experience, and generally have received relevant academic qualifications and/or vocational training.

For façade installation works performed by our subcontractors, we assign our site supervisors to conduct on-site supervision in order to ensure that the work quality is satisfactory. For BMU system works, each newly installed BMU system will undergo a testing and commission procedure before it is put into use and an independent registered professional engineer will conduct inspection to ensure that the BMU system meets the relevant safety requirements and issue a certificate in accordance with the relevant laws and regulations.

With our stringent quality control measures, we believe we can continuously provide reliable and satisfactory services to our customers and establish good reputation in the industry.

BUSINESS STRATEGIES

We aim to expand our scale of operation and further strengthen our market position and overall competitiveness in the façade works industry and BMU system works industry in Hong Kong. We intend to pursue the following key strategies to achieve our future expansion plans:

Strengthening our financial capacity to undertake more design and build projects

We plan to strengthen our financial capacity to undertake more design and build projects so as to capture the growing business opportunities in the façade works industry and BMU system works industry. According to the Ipsos Report, the gross output value of the façade works industry and the BMU system works industry are expected to grow from approximately HK\$6,011.5 million and HK\$411.8 million in 2019 to approximately HK\$7,049.3 million and HK\$506.7 million in 2023, at a CAGR of approximately 4.1% and 5.3%, respectively. The future growth in the façade works industry and BMU system works industry is expected to be driven by large-scale public infrastructure projects and the increase in land supply for public and private residential buildings.

For example, the government has initiated a series of development plans, such as Energising Kowloon East, Kai Tak Development Area, Hung Shui Kiu Development Plan, Kwu Tung North New Development Area, Fanling North New Development Area and Tung Chung New Town Extension, which are expected to result in a considerable amount of new residential and commercial buildings that require façade works and/or BMU system works. In light of the government's commitment to increase local housing supply and develop commercial land, as well as to carry on large-scale public infrastructure projects, it is expected that the gross output value of construction works in Hong Kong will continue to grow and thereby driving the demand for the façade works industry as well as the BMU system works industry.

BUSINESS

Taking into consideration of the growth momentum in the façade works industry and BMU system works industry, our Directors consider that it is in our interests to capture the growing business opportunities by undertaking more projects. To achieve this strategy, it is crucial for us to strengthen our financial capacity and maintain a strong liquidity position to finance our existing and potential projects, as our daily operation requires a substantial amount of funds in support due to its capital-intensive nature.

For example, it is a common practice in the construction industry in Hong Kong that contractors are required by their customers to procure the issue of surety bonds by banks or insurance companies as security for due performance and satisfactory completion of the projects. Deposits of funds with the bank are generally required for maintaining the banking facilities with the bank under which they issue surety bonds for our projects. The value of a surety bond typically amounts to approximately 10% of the total contract sum of the project. Surety bond is usually maintained throughout the project and released after expiry of the defects liability period. As such, the deposits are locked up for a similar period of time.

In addition, contractors are also required to incur significant upfront costs, such as materials costs and subcontracting charges, before receiving progress payments from the customers. Progress payments are normally paid after a certain amount of work has been completed. Further, it is also a common practice in the construction industry that the customers generally withhold 10% of each progress payment up to a maximum of 5% of the total contract sum as retention money, half of which will be released upon practical completion of the project and the remaining half will be released after expiry of the defects liability period.

As such, a sizeable project with surety bond requirement can lock up a substantial amount of our funds until we receive progress payments for our upfront costs and until the surety bond is released after expiry of the defects liability period. We believe it is crucial for us to strengthen our financial capacity and maintain a strong liquidity position to finance our existing and potential projects.

To cope with our strategy to undertake more design and build projects, we intend to utilise (i) approximately HK\$59.0 million of the net proceeds from the Global Offering for funding the upfront costs of our new design and build projects; and (ii) approximately HK\$24.1 million of the net proceeds from the Global Offering for funding the issuance of surety bonds of our new design and build projects. With such allocation of net proceeds from the Global Offering, our financial position could be strengthened and we would have stronger financial capacity to undertake more projects and expand our business, so as to capture the market growth. For further details relating to our future plans and use of proceeds from the Global Offering, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

BUSINESS

Expanding our workforce to enhance our capacity to undertake more design and build projects

We consider that a strong and stable team of employees equipped with the relevant industry knowledge and experience is crucial to maintaining our competitive strengths and sustaining our development. In view of the growth of the façade works industry and the BMU system works industry, we plan to expand our capacity to undertake more design and build projects so as to capture the business opportunities and to strengthen our market position. To achieve this strategy, it is imperative that we maintain sufficient workforce to support our daily operation. As such, we intend to expand our workforce by recruiting additional staff with suitable experience and qualifications to support our daily operation.

The following table sets forth the position and number of staff that we intend to recruit:

<u>Position</u>	<u>Responsibilities</u>	<u>Number of staff to be recruited</u>
Accounting officer	Handling accounting matters of our Group	1
Engineer	Preparation of structural calculations and coordination with the Buildings Department	3
Project manager	Overall project management, site management and supervision of the progress and quality of our work	2
Senior project manager	Overall project management, site management and supervision of the progress and quality of our work	1
Technician	Handling repair and maintenance work and supervision of installation works	1
Design manager	Management of design-related works and supervision of shop drawings	1
Draftsman	Preparation of shop drawings and fabrication drawings	1
Site supervisor	On-site supervision of installation works and arrangement of logistics of building materials	4
Total:		14

BUSINESS

To cope with our expansion plan, we intend to utilise approximately HK\$8.5 million of the net proceeds from the Global Offering for recruiting the additional staff. For further details relating to our future plans and use of proceeds from the Global Offering, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

We are of the view that the additional staff is essential to support our business operation for the following reasons:

(i) We have a strong pipeline of projects

As at the Latest Practicable Date, we had 99 design and build projects on hand, representing an increase of approximately 10.0% from 90 design and build projects on hand as at 31 December 2018, an increase of approximately 37.5% from 72 design and build projects on hand as at 31 December 2017 and an increase of approximately 41.4% from 70 design and build projects on hand as at 31 December 2016. Our backlog of design and build projects as at the Latest Practicable Date amounted to approximately HK\$926.5 million.

Further, as at the Latest Practicable Date, we had submitted 105 tenders for design and build projects with a total estimated contract sum of approximately HK\$5,174.7 million which were pending tender results. Based on our average tender success rates, and given our proven track record, stable and experienced management team, long-term business relationships with our major customers (including several construction contractors which are subsidiaries of reputable property developers listed on the Stock Exchange and other large-scale construction contractors), well-established reputation and strong market position, we estimate that we have a reasonable chance to secure new design and build projects with a total contract sum of approximately HK\$747.7 million. As such, we consider that our existing manpower is not sufficient to support our prospective projects. The additional staff is therefore necessary and expedient to cope with our anticipated project commitment and our expanding scale of operation.

(ii) The working capacity of our staff is already substantially utilised

All of our staff are fully deployed with no redundancy. We consider that the working capacity of our staff is already substantially utilised under the increasing workload. During the year ended 31 December 2018, we were awarded 43 new design and build projects, representing an increase by approximately 4.9% from 41 new design and build projects during the year ended 31 December 2017 and an increase by approximately 38.7% from 31 new design and build projects for the year ended 31 December 2016.

BUSINESS

Further, for the year ended 31 December 2018, the total contract value of new design and build projects awarded to us (including variation orders) amounted to approximately HK\$490.4 million, representing an increase by approximately 40.7% from approximately HK\$348.6 million for the year ended 31 December 2017 and an increase by approximately 17.2% from approximately HK\$418.5 million for the year ended 31 December 2016.

Notwithstanding such growth, the number of our staff remained relatively stable during the Track Record Period. This restricts our capacity to undertake more new projects and hinders our business development in the long run. For example, during the Track Record Period, we had declined or not responded to approximately 72 façade works tender invitations and seven BMU system works tender invitations for design and build projects having considered our available manpower. Based on the available information in the relevant tender invitation documents and having considered the contract sum of our projects of similar nature and scale, we estimate that the total contract sum of 13 out of such 72 façade works tender invitations are worth approximately HK\$455.5 million. We believe that this shows that there are considerable business opportunities in the market that we can further capture provided that we have the requisite manpower to support our operation.

Some of our projects on hand will be completed over time and the manpower released from these projects will be reallocated to handle other projects. We expect that among our 99 design and build projects on hand as at the Latest Practicable Date, three façade works projects and 19 BMU system works projects will be completed in 2019. As at the Latest Practicable Date, among these 19 BMU system works projects, 17 were substantially completed and pending the issuance of the handover certificate, and the other two were at an active stage. Set forth below is a summary of the staff involved in the said three façade works projects and two active BMU system works projects:

Position	Number of staff
Project management and supervision	7
Design and engineering	10
Quantity surveying	1
Technicians and other workers	6
Total:	24

BUSINESS

In addition to the said three façade works projects and two active BMU system works projects, each of these 24 staff also concurrently handles other projects that will not be completed in 2019 and therefore the working capacity of these staff will continue to be substantially utilised notwithstanding the completion of such projects in 2019. As at 30 April 2019, each of our project team staff was concurrently handling approximately 5.0 projects on average. It is estimated that as at 31 March 2020, on the assumption that no additional staff under our expansion plan are recruited and after taking into account (i) the staff expected to be released from the existing projects to be completed by then; and (ii) the expected staff utilisation for the Awarded Projects by then, each of our project team staff will be concurrently handling approximately 6.5 projects on average. Set forth below is a summary of the average number of projects concurrently handled per project team staff as at the relevant date:

	As at 30 April 2019	As at 30 September 2019	As at 31 December 2019	As at 31 March 2020
		<i>(expected)</i>	<i>(expected)</i>	<i>(expected)</i>
Average number of projects concurrently handled per project team staff	5.0	5.8 ^{<i>(Note)</i>}	6.1 ^{<i>(Note)</i>}	6.5 ^{<i>(Note)</i>}

Note: The number is estimated on the assumption that no additional staff under our expansion plan are recruited and after taking into account (i) the staff expected to be released from the existing projects to be completed by the relevant date; and (ii) the expected staff utilisation for the Awarded Projects by the relevant date.

Given that (i) the manpower to be released from the existing projects is not material nor sufficient to handle the prospective projects; (ii) all of our staff are and will remain fully deployed with no redundancy; and (iii) the workload of our staff has been increasing and is expected to further increase in view of the prospective projects, our Directors are of the view that recruiting the additional staff is crucial to ensure that we have sufficient manpower to undertake more projects and capture the market growth in the future.

(iii) To enhance our project management and strengthen our quality control

Among the additional staff that we intend to recruit, five are of managerial position. We consider that maintaining sufficient managers to oversee different aspects of our projects is crucial to ensure that our staff receive sufficient supervision and that our projects are well-managed and executed with satisfactory work quality. For example, project manager is responsible for overall project management, site management and supervision of the progress and quality of our work. Design manager is responsible for management of design-related works and supervision of shop drawings. As at the Latest Practicable Date, we had 13 project managers and two design managers, who collectively oversaw 99 design and build projects on hand, which we consider to be higher than an optimal level of work. The recruitment plan could therefore allow our managers to allocate more time and attention to each project, thereby strengthening the quality control of our work and facilitating our work progress.

(iv) We have an increasing amount of more complex design and build projects

We have an increasing amount of more complex design and build projects involving unitised curtain wall system. During the Track Record Period, we completed two design and build projects involving unitised curtain wall system with a total awarded contract sum of approximately HK\$58.9 million. As at the Latest Practicable Date, we had six design and build projects on hand involving unitised curtain wall system with a total awarded contract sum of approximately HK\$617.4 million.

According to the Ipsos Report, unitised curtain wall system refers to curtain wall system that is installed by an advanced method, namely, being prefabricated in modules offsite and then delivered as panels to the construction sites for final installation. Compared to the traditional stick wall system, unitised curtain wall system is a modified version with more sophisticated designs and involves a higher level of complexity. To carry out façade works involving unitised curtain wall system, contractors therefore have to maintain a pool of design talents and project managers with specific skills and expertise on unitised curtain wall system design and installation. Nowadays, unitised curtain wall system has gained popularity and is being increasingly adopted by property developers mainly due to (i) the additional floor area benefits derived from the gross floor area concession guidelines issued by the Buildings Department; (ii) the improved design for energy saving and enhanced acoustic performances; and (iii) higher degree of quality. Façade works that involve unitised curtain wall system generally have higher profit margins for façade works contractors as compared to the traditional stick wall system.

We estimate that more staff with sufficient skills and expertise are required to handle these more complex projects. Therefore, the additional staff could provide the extra skilled labour we need to ensure that the work quality of our projects is satisfactory.

(v) To ease the workload of our staff

We consider that recruiting the additional staff can ease the workload of our existing staff, thereby maintaining a sustainable working environment and achieving the goal of attracting and retaining experienced and talented staff in the long run. While we had not experienced any difficulties in recruitment and retention of experienced staff or skilled personnel during the Track Record Period, we are mindful of the labour shortage problem commonly faced by the construction industry in Hong Kong, as well as the potential impact of heavy workload on staff morale and staff wastage. Our staff generally work long hours and that it is not uncommon for them to work overtime. Without the additional staff, it is expected that our existing staff will be overburdened by the workload brought by the prospective projects. We consider that it is important to ease the workload of our staff by recruiting the additional staff, thereby boosting our staff morale and maintaining a sustainable working environment, in order to attract and retain experienced and talented staff to sustain our business development and enhance our competitiveness in the long run.

Enhancing our operational efficiency by implementing an ERP system

We believe information technology system can facilitate our operations and enhance our operational efficiency. We plan to implement an ERP system for integrated management of our core business processes from tendering (including information collection, tender bidding and contract management), project planning (including manpower, subcontractors, suppliers, materials planning and cost analysis), project implementation (including progress tracking, safety and quality control, cost and cashflow management, salary payment management) to project completion (including inspections and acceptance and settlement of accounts). We believe that upon implementation of such ERP system, our operational efficiency will be enhanced in a number of ways, including but not limited to:

- for tendering phase, we can monitor the overall tender status through tracking function and record our internal assessment results on the nature, risk, timetable and profitability of the project as well as the tendering outcome in the system, which can facilitate our tender preparation process and strategy planning in the future.
- for project implementation phase, we can update the work progress daily in the system and record the quality control issues after checks and inspections for deficiencies identification and carry out immediate rectification; and we can record any safety issues for follow-up action. By doing so, the management team can easily track the project progress and assess the overall performance and quality of the services provided by us.
- for project completion phase, we can gather all relevant information in the system and submit the same to our customers for review and approval. Upon acceptance by our customer, we can record the project completion information and the customers' feedback in the system and proceed to settle the final accounts.
- for warranty phase, we record the warranty period in the system and upon expiry of the same, the system will notify us for the collection of the retention fee.

We believe that such ERP system can enable us to have better planning and cost analysis before undertaking the project and to closely monitor the work progress and quality of the project through instant information exchange between various departments at different locations, which will enhance our overall operation efficiency.

We intend to utilise approximately HK\$4.1 million of the net proceeds from the Global Offering for purchasing such ERP system and additional computer equipment and software. For further details relating to our future plans and use of proceeds from the Global Offering, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

OUR BUSINESS MODEL

We are a reputable design and build solution service provider for façade works and BMU system works in Hong Kong with proven track record. Our customers are primarily main contractors. During the Track Record Period, we generated our revenue from two business streams.

Façade works

We provide main contractors with one-stop design and build solutions in relation to façade works which generally range from design, preparation of shop drawings and structural calculations, procurement of building materials, installation and logistics arrangement services, on-site project supervision, post-completion maintenance services to project management. To a smaller extent, we also provide property owners or their property management companies with one-off repair and maintenance services. Our façade works focus on private sector and cover residential buildings and commercial buildings. Our façade works can be divided into three major types, namely (i) podium façade works; (ii) curtain wall works; and (iii) aluminium window works. For further details, please refer to the paragraph headed “Our services” below in this section.

BMU system works

We provide main contractors with one-stop design and build solutions in relation to BMU system works which generally include design, preparation of shop drawings and structural calculations, procurement of building materials and BMU systems, installation and logistics arrangement services as well as on-site project supervision, post-completion maintenance services and project management. To a smaller extent, we also provide property owners or their property management companies with one-off and regular repair and maintenance services. Our BMU system works cover both private and public sectors and cover residential buildings, commercial buildings, industrial buildings as well as community facilities. We mainly provide crane type BMU systems and also provide other types of BMU systems, such as roof trolley BMU systems, monorail BMU systems, and davit arm BMU systems. For further details, please refer to the paragraph headed “Our services” below in this section.

BUSINESS

During the Track Record Period, we had completed a total of 103 design and build projects, of which 19 projects were related to façade works and 84 projects were related to BMU system works. For the three years ended 31 December 2018 and the four months ended 30 April 2019, our total revenue amounted to approximately HK\$481.0 million, HK\$423.8 million, HK\$466.1 million and HK\$170.7 million, respectively. During the Track Record Period, all of our revenue was derived from Hong Kong.

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

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Façade works	349,747	72.7	300,547	70.9	264,033	56.6	81,711	52.4	76,590	44.9
BMU system works	131,295	27.3	123,204	29.1	202,096	43.4	74,246	47.6	94,080	55.1
Total	481,042	100.0	423,751	100.0	466,129	100.0	155,957	100.0	170,670	100.0

The following table sets forth a breakdown of our revenue during the Track Record Period by private and public sectors:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Private sector	473,828	98.5	420,543	99.2	457,358	98.1	153,949	98.7	168,357	98.6
Public sector	7,214	1.5	3,208	0.8	8,771	1.9	2,008	1.3	2,313	1.4
Total	481,042	100.0	423,751	100.0	466,129	100.0	155,957	100.0	170,670	100.0

BUSINESS

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

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Residential buildings	417,628	86.8	341,139	80.5	388,710	83.4	128,943	82.7	147,368	86.4
Commercial buildings	42,444	8.8	78,575	18.5	71,131	15.3	25,573	16.4	20,179	11.8
Industrial buildings	6,485	1.3	1,093	0.3	4,449	1.0	533	0.3	1,871	1.1
Community facilities	14,485	3.1	2,944	0.7	1,839	0.3	908	0.6	1,252	0.7
Total	481,042	100.0	423,751	100.0	466,129	100.0	155,957	100.0	170,670	100.0

The following table sets forth a breakdown of our gross profit and gross profit margin by business stream for the years/periods indicated:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>(unaudited)</i>									
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Façade works	47,537	13.6	44,760	14.9	44,720	16.9	12,958	15.9	10,719	14.0
BMU system works	37,049	28.2	42,126	34.2	46,388	23.0	19,573	26.4	27,572	29.3
Total/overall	84,586	17.6	86,886	20.5	91,108	19.5	32,531	20.9	38,291	22.4

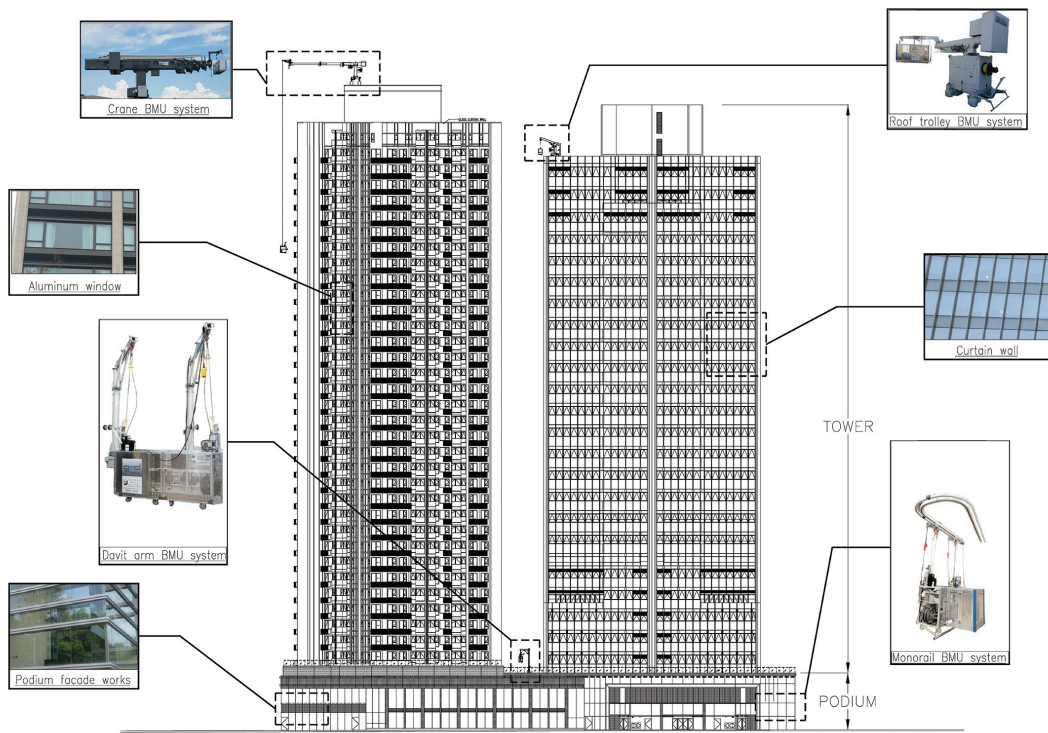
For details, please refer to the section headed “Financial information – Description of certain components of our consolidated income statements – Gross profit and gross profit margin” in this prospectus.

OUR SERVICES

Design and build solution services

We provide design and build solution services in relation to façade works and BMU system works, which generally cover design, preparation of shop drawings and structural calculations, procurement of building materials and BMU systems, installation and logistics arrangement services, on-site project supervision, post-completion maintenance services and project management.

The following picture illustrates the façade works and BMU system works that we typically provide:



Façade works

Façade generally refers to the non-bearing structures hanging on the external surface of a building, including the podium section and the tower section above. In a typical new building project, façade works are considered as part of the building construction works. Common materials used in façade works include glass panels, aluminium claddings, steel and stone panels. Fabricated materials such as claddings or systems made of glass and steel are also used.

Our façade works can be divided into three major types, namely (i) podium façade works; (ii) curtain wall works; and (iii) aluminium window works.

Podium façade generally refers to the exterior of the podium section of a building, which is usually supported by metal frames and other structural materials fixed onto the concrete part of the building. The system and design involved in podium façade works are usually more complex and irregular and different kinds of materials are usually applied. Common materials used in podium façade works include glass, granite, aluminium, steel and other cladding materials.

Curtain wall generally refers to the exterior of the tower section of a building above the podium section, which is usually a self-supporting façade system anchored in front of the concrete slab of a building. It is commonly used in commercial and office buildings as exterior decorative features of the building. The system and design involved in curtain wall works are usually more standardised with limited variation. Common materials used in curtain wall works include glass, aluminium and steel.

Window generally refers to the object installed in an opening within the glazing pocket in the wall of a building, allowing the passage of light, sound and ventilation. Window is widely used in residential buildings, and the most common type of window in the building projects in Hong Kong is aluminium window. The system and design involved in aluminium window works are usually more standardised with limited variation. Common materials used in aluminium window works include glass and aluminium.

BMU system works

BMU systems, which are commonly known as permanent gondola systems or suspended working platforms, are systems that carry workers, site personnel, or engineers for working at height. BMU systems are installed on buildings and infrastructures mainly for façade cleaning replacement works and material inspection and are recognised as a more convenient method for such routine works. A BMU system comprises a working platform suspended by wire ropes from a roof rig, which can be a crane, a roof trolley, monorail or davit arms. The hoisting mechanism may be mounted either on the roof rig or on the working platform. Our BMU systems are typically designed and custom-made to suit the practical needs of our customers and the structural requirements of the building or structure. We mainly provide crane type BMU systems and also provide other types of BMU systems, such as roof trolley BMU systems, monorail BMU systems, and davit arm BMU systems.

Crane type BMU system comprises a suspended working platform connected to the jib arm of the crane system on the roof. The jib arm of the crane system is attached to a rotating head which allows the suspended working platform to rotate and reach different parts of the façade of the building. A single crane type BMU system installed in the right position can serve the entire façade of the building. Compact crane type BMU system is a variety of crane type BMU system which typically has shorter jib arm that can stay within the rooftop area with smaller rotating range or mounted on tracks.

BUSINESS

Roof trolley BMU system is generally light and simple with shorter jib arm while the stability against overturning is achieved either by its own weight or by counterweight. Roof trolley BMU system can be further divided into track type BMU system and trackless type BMU system. Track type BMU system is normally installed on parapet wall-mounted tracks or floor-mounted guide rails, which requires an electrical motor to be driven along the tracks. The tracks are designed to follow the shape of the façade in order to reduce the length of the jib arm. Trackless type BMU system is mobile on roof which can be driven to any desired location for operation and can be easily hidden or concealed.

Monorail BMU system comprises a single track that runs along the exterior façade following the shape of the building. A running trolley is mounted on the monorail track which allows the suspended working platform to move along the building horizontally or with an incline. It can run along the monorail track manually or electrically.

Davit arm BMU system refers to suspended working platform connected to davit arms which can be wall-mounted or floor-mounted. The davit arms can be equipped as rotating to allow the suspended working platform to be manoeuvred to the desired spot, or as telescopic to increase working range over the parapet wall.

OUR DESIGN AND BUILD PROJECTS

Design and build projects awarded to us during the Track Record Period

For the three years ended 31 December 2018 and the four months ended 30 April 2019, we had been awarded 31, 41, 43 and 15 design and build projects, respectively. Set out below is a breakdown of the number of design and build projects awarded to us during the Track Record Period by business stream:

	Year ended 31 December			Four months ended 30 April 2019
	2016	2017	2018	2019
Façade works	5	6	8	3
BMU system works	26	35	35	12
Total	<u>31</u>	<u>41</u>	<u>43</u>	<u>15</u>

BUSINESS

Set out below is a breakdown of the number of design and build projects awarded to us during the Track Record Period by amount of awarded contract sum:

	Year ended 31 December			Four months ended 30 April 2019
	2016	2017	2018	
More than HK\$50,000,000	2	1	2	1
HK\$20,000,001 to HK\$50,000,000	Nil	1	3	3
HK\$10,000,001 to HK\$20,000,000	4	5	6	1
Less than HK\$10,000,001	25	34	32	10
Total	31	41	43	15

Design and build projects completed by us during the Track Record Period

For the three years ended 31 December 2018 and the four months ended 30 April 2019, we had completed 30, 39, 25 and 9 design and build projects, respectively. Set out below is a breakdown of the number of design and build projects completed by us during the Track Record Period by business stream:

	Year ended 31 December			Four months ended 30 April 2019
	2016	2017	2018	
Façade works	1	10	8	Nil
BMU system works	29	29	17	9
Total	30	39	25	9

Set out below is a breakdown of the number of design and build projects completed by us during the Track Record Period by amount of awarded contract sum:

	Year ended 31 December			Four months ended 30 April 2019
	2016	2017	2018	
More than HK\$50,000,000	Nil	3	3	Nil
HK\$20,000,001 to HK\$50,000,000	Nil	7	1	Nil
HK\$10,000,001 to HK\$20,000,000	3	3	3	1
Less than HK\$10,000,001	27	26	18	8
Total	30	39	25	9

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The following table sets out the details of our 10 largest design and build projects (in terms of revenue recognised during the Track Record Period) completed during the Track Record Period in respect of façade works and BMU system works respectively:

Façade works

Project code	Location	Type of building	Commencement date <small>(Note 1)</small>	Completion date <small>(Note 2)</small>	Awarded contract sum without variation order <small>(HK\$'000)</small>	Revenue recognised during the Track Record Period <small>(HK\$'000)</small>
F-1	Sai Kung	Residential building	April 2014	July 2017	245,719	130,837
F-2	North Point	Commercial building	September 2015	June 2018	75,027	85,526
F-3	Yuen Long	Residential building	January 2014	March 2018	104,789	57,878
F-4	Deep Water Bay	Residential building	March 2016	December 2017	56,034	56,075
F-5	North Point	Residential building	December 2015	December 2018	58,719	53,850
F-6	Shatin	Residential building	November 2015	August 2017	51,319	44,293
F-7	Yuen Long	Residential building	February 2015	July 2017	45,279	37,562
F-8	Sai Ying Pun	Residential building	May 2015	November 2017	37,952	37,062
F-9	North Point	Residential building	November 2014	November 2018	45,987	35,819
F-10	Tseung Kwan O	Residential building	April 2015	January 2018	32,516	30,323

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BMU system works

<u>Project code</u>	<u>Location</u>	<u>Type of building</u>	<u>Commencement date^(Note 1)</u>	<u>Completion date^(Note 2)</u>	<u>Awarded contract sum without variation order</u>	<u>Revenue recognised during the Track Record Period</u>
					<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
BMU-1	Tuen Mun	Residential building	August 2015	September 2017	14,107	16,303
BMU-18	Tseung Kwan O	Residential building	March 2016	March 2019	12,795	14,892
BMU-2	Ho Man Tin	Residential building	February 2015	August 2017	12,692	14,891
BMU-3	Tseung Kwan O	Residential building	April 2016	October 2017	11,300	13,380
BMU-4	Shatin	Residential building	March 2017	July 2018	7,265	13,036
BMU-5	Tseung Kwan O	Residential building	March 2016	April 2018	13,128	11,728
BMU-6	Ho Man Tin	Residential building	July 2015	September 2017	7,780	9,003
BMU-95	Shau Kei Wan	Residential building	February 2016	April 2019	6,260	8,690
BMU-10	Yuen Long	Residential building	December 2014	May 2017	30,312	8,091
BMU-7	Tseung Kwan O	Residential building	April 2014	December 2017	7,175	7,391

Notes:

1. The commencement date of a project refers to the date on which the letter of acceptance or equivalent document was issued to us.
2. The completion date of a façade works project refers to the date on which the practical completion certificate was issued to us. The completion date of a BMU system works project refers to the date on which the handover certificate was issued to us.

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Movement in the number and awarded contract sum of our design and build projects during the Track Record Period and up to the Latest Practicable Date

The following table sets out the movement in the number and awarded contract sum of our design and build projects during the Track Record Period and up to the Latest Practicable Date:

		Year ended 31 December				Four months ended 30 April		Subsequent to the Track Record Period and up to the Latest Practicable Date			
		2016		2017		2018		2019			
		Total awarded contract sum		Total awarded contract sum		Total awarded contract sum		Total awarded contract sum			
		Number of projects		Number of projects		Number of projects		Number of projects			
		without variation order		without variation order		without variation order		without variation order			
		<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>			
Number/awarded contract sum of design and build projects on hand ^(Note 1) at the beginning of the year/period		69	1,044,835	70	1,228,058	72	850,338	90	987,492	96	1,163,257
Add: Number/awarded contract sum of design and build projects awarded during the year/period		31	294,073	41	324,844	43	489,940	15	211,572	15 ^(Note 2)	497,978
Less: Number/awarded contract sum of design and build projects completed during the year/period		(30)	(110,850)	(39)	(702,564)	(25)	(352,786)	(9)	(35,807)	(12)	(78,055)
Number/awarded contract sum of design and build projects on hand ^(Note 1) at the end of the year/period		70	1,228,058	72	850,338	90	987,492	96	1,163,257	99	1,583,180

Notes:

1. It represents the design and build projects with engagement confirmed and not yet completed as at the relevant time.
2. These 15 projects include six facade works projects (i.e. F-45, F-47, F-48, F-50, F-74 and F-75) and nine BMU system works projects (i.e. BMU-92, BMU-100, BMU-101, BMU-102, BMU-114, BMU-116, BMU-117, BMU-119 and BMU-79). Among these 15 projects, project F-47 is the facade works project with the greatest awarded contract sum, being approximately HK\$197.2 million. The awarded contract sum of the BMU system works projects among these 15 projects range from approximately HK\$0.6 million to HK\$7.7 million. The total awarded contract sum of projects F-50, F-74, BMU-92, BMU-100 and BMU-117 is approximately HK\$29.6 million. We do not intend to apply the net proceeds from the Global Offering to fund these five projects as the upfront costs and/or surety bonds required for these five projects are expected to be paid and/or issued before the Listing Date. Therefore, these five projects do not form part of the Awarded Projects. For details of the other ten projects, please refer to the section headed "Future plans and use of proceeds – Funding the upfront costs and the issuance of surety bonds for our new projects – (i) Awarded projects" in this prospectus.

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Variation orders of our design and build projects during the Track Record Period and up to the Latest Practicable Date

Variation orders refer to the orders placed by customers during the course of the project concerning changes to the original scope of a construction contract to achieve the satisfactory completion and functioning of the works, which may include (i) additions, omissions, substitutions, alterations, and/or changes in the quality, form, character, kind, position, dimension or other aspects of the works; and (ii) changes to any sequence method or timing of construction specified in the original contract. A variation order may be in negative amount if the changes of works pursuant to such variation order result in a deduction of construction fee from the original contract. According to Ipsos, a variation order in negative amount is a common phenomenon in the construction industry, which may arise in circumstances such as (i) certain provisional works in the original contract being subsequently not required to be performed; and/or (ii) the scope of work, materials and/or other specifications in the original contract being subsequently modified by the main contractor or property owner. Due to variation orders placed by our customers from time to time, the accumulated revenue recognised and the revenue estimated to be recognised from a project in aggregate may or may not be the same as the awarded contract sum. The following table sets out the amount of variation orders of our design and build projects during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 December			Four months ended 30 April 2019	Subsequent to the Track Record Period and up to the Latest Practicable Date
	2016	2017	2018	2019	Practicable Date
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Façade works	47,031	(4,959) ^(Note 1)	18,048	10,598	5,183
BMU system works	6,224	19,641	6,465	5,958	11,664
Total	53,255	14,682	24,513	16,556	16,847

Note:

- The negative amount was primarily attributable to project F-13, in which certain provisional works in the original contract were subsequently not required to be performed, resulting in a deduction of construction fee from the original contract.

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Backlog

Backlog is the estimate of the remaining contract value of our projects on hand. As at the Latest Practicable Date, we had backlog of design and build projects of approximately HK\$926.5 million, which was expected to be generated from our 99 design and build projects on hand at the relevant time. The following table sets out the movement of backlog of our design and build projects during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 December			Four months ended 30 April 2019	Subsequent to the Track Record Period and up to the Latest Practicable Date
	2016	2017	2018	2019	Practicable Date
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening value of backlog	587,508	531,385	463,093	495,504	555,930
Add: Net value of new contracts ^(Note 1)	418,459	348,601	490,403	227,402	514,825
Less: Revenue recognised ^(Note 2)	(474,582)	(416,893)	(457,992)	(166,976)	(144,266)
Closing value of backlog ^(Note 3)	531,385	463,093	495,504	555,930	926,489

Notes:

1. “Net value of new contracts” means the total contract value of new design and build projects which were awarded to us together with the additional amount(s) stipulated under the variation order(s) during the relevant year/period. We may start working for a project before the letter of acceptance or equivalent document is formally issued to us, in which case, for the purpose of this table, the contract value of that project is added to the relevant year/period based on the date when we had performed work for it. A project may comprise several parts awarded to us under several letters of acceptance or equivalent documents, in which case, for the purpose of this table, the contract value of each part of that project is added to the relevant year/period based on the date of the respective letter of acceptance of equivalent document.
2. “Revenue recognised” means the revenue for the design and build projects which had been recognised during the relevant year/period.
3. “Closing value of backlog” means the total contract value of the remaining works until completion as at the end of the relevant year/period.

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Details of our design and build projects on hand as at the Latest Practicable Date

As at the Latest Practicable Date, we had 21 and 78 design and build projects on hand (i.e. with engagement confirmed and not yet completed) in relation to façade works and BMU system works, with total awarded contract sum of approximately HK\$1,146.0 million and HK\$437.1 million, of which approximately HK\$274.5 million and HK\$255.2 million had been recognised as revenue up to 30 April 2019, respectively. The following table sets out the details of our material design and build projects (in terms of awarded contract sum without variation order) on hand as at the Latest Practicable Date in respect of façade works and BMU system works respectively:

Façade works

Project code	Location	Type of building	Commencement date <i>(Note 1)</i>	Expected completion date <i>(Note 2)</i>	Awarded contract sum without variation order <i>(Note 3)</i>	Accumulated revenue (including variation orders) recognised up to 30 April 2019	% of accumulated revenue (including variation orders) over awarded contract sum without variation order	Estimated revenue (including variation orders) to be recognised after the Track Record Period	Amount of contract assets as at	
									30 April 2019	30 April 2019
					HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	HK\$'000
F-47	Kwun Tong	Residential building	June 2019	November 2022	197,240	Nil	Nil	197,240	Nil	Nil
F-45	Kai Tak	Residential building	July 2019	January 2022	116,000	Nil	Nil	114,600	Nil	Nil
F-11	Yuen Long	Residential building	January 2018	February 2021	114,000	59,055	51.8	50,609	11,855	11,855
F-12	Happy Valley	Residential building	September 2016	January 2020	113,186	102,364	90.4	14,823	338	Nil
F-13	Tai Wai	Residential building	August 2017	March 2022	108,905	17,993	16.5	74,245	3,424	3,424
F-48	Wong Chuk Hang	Residential building	June 2019	February 2022	92,500	Nil	Nil	82,382	Nil	Nil
F-21	Tin Shui Wai	Residential building	February 2019	November 2021	78,000	228	0.3	76,604	228	228
F-22	Yuen Long	Residential building	December 2018	June 2022	68,160	180	0.3	65,505	180	180

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Project code	Location	Type of building	Commencement date ^(Note 1)	Expected completion date ^(Note 2)	Awarded contract sum without variation order ^(Note 3)	Accumulated revenue (including variation orders) recognised up to 30 April 2019	% of accumulated revenue (including variation orders) over awarded contract sum without variation order	Estimated revenue (including variation orders) to be recognised after the Track Record Period	Amount of contract assets as at 30 April 2019	Amount of contract assets as at 30 April 2019 subsequently settled as at the Latest Practicable Date	
											HK\$'000
F-14	Sham Shui Po	Residential building	March 2018	December 2019	45,500	45,697	100.4	536	7,359	5,498	
F-15	Wong Chuk Hang	Commercial building	October 2018	January 2020	44,810	2,332	5.2	41,951	1,704	544	
F-75	Shatin	Residential building	September 2019	March 2022	41,746	Nil	Nil	40,623	Nil	Nil	
F-49	Yuen Long	Residential building	April 2019	March 2021	38,300	Nil	Nil	38,300	Nil	Nil	
F-50	Shatin	Commercial building	May 2019	November 2020	23,769	Nil	Nil	23,650	Nil	Nil	
F-16	To Kwa Wan	Residential building	May 2018	December 2019	17,200	12,871	74.8	6,228	1,330	1,330	
F-17	Discovery Bay	Residential building	June 2017	November 2019	14,520	16,263	112.0	Nil	1,776	1,210	
F-18	To Kwa Wan	Residential building	July 2018	November 2020	13,800	4,110	29.8	10,509	2,932	2,932	
F-19	North Point	Residential building	May 2017	June 2020	9,552	8,848	92.6	1,172	376	Nil	
Sub-total								838,977			
Other façade works design and build projects								31,242			
Total								870,219			

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BMU system works

Project code	Location	Type of building	Commencement date ^(Note 1)	Expected completion date ^(Note 2)	Awarded contract sum without variation order ^(Note 3)	Accumulated revenue (including variation orders) recognised up to 30 April 2019	% of accumulated revenue (including variation orders) over awarded contract sum without variation order	Estimated revenue (including variation orders) to be recognised after the Track Record Period	Amount of contract assets as at	
									30 April 2019	30 April 2019 subsequently settled as at the Latest Practicable Date
					HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	HK\$'000
BMU-23	Tai Po	Residential building	March 2019	December 2020	24,800	65	0.3	24,735	65	Nil
BMU-24	Tai Wai	Residential building	February 2019	June 2022	24,281	8	0.1	23,969	8	Nil
BMU-11	Tai Po	Residential building	May 2018	January 2020	20,677	20,805	100.6	232	3,916	3,392
BMU-12	Tai Po	Residential building	October 2017	December 2019	19,400	18,271	94.1	289	2,631	1,000
BMU-13	Tai Po	Residential building	November 2018	June 2020	19,390	10,170	52.4	9,220	10,170	10,170
BMU-96	Kwun Tong	Residential building	April 2019	September 2021	17,670	Nil	Nil	17,670	Nil	Nil
BMU-15	Sham Shui Po	Residential building	July 2016	June 2020	12,859	10,754	83.6	754	6,524	3,990
BMU-16	North Point	Residential building	August 2015	November 2019	14,500	14,719	102.4	460	849	228
BMU-17	Tai Po	Residential building	September 2018	June 2020	14,080	14,013	99.5	1,427	14,013	10,264
BMU-19	North Point	Residential building	November 2017	January 2021	12,250	11,911	97.2	371	2,558	1,553
BMU-20	Happy Valley	Community facility	August 2017	April 2020	12,000	11,314	94.3	1,666	3,267	3,267

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Project code	Location	Type of building	Commencement date (Note 1)	Expected completion date (Note 2)	Awarded contract sum without variation order (Note 3)	Accumulated revenue (including variation orders) recognised up to 30 April 2019	% of accumulated revenue (including variation orders) over awarded contract sum without variation order	Estimated revenue (including variation orders) to be recognised after the Track Record Period	Amount of contract assets as at 30 April 2019	Amount of contract assets as at 30 April subsequently settled as at the Latest Practicable Date	
											HK\$'000
BMU-21	Tsuen Wan	Residential building	May 2017	December 2019	11,500	10,094	87.8	231	263	228	
BMU-22	Tai Po	Residential building	September 2018	November 2019	10,800	10,690	99.0	850	1,130	Nil	
BMU-25	Tseung Kwan O	Residential and commercial building	August 2016	December 2019	9,951	9,752	98.0	1,209	2,706	1,127	
BMU-26	Tseung Kwan O	Residential building	February 2017	May 2020	9,900	10,194	103.0	442	2,471	693	
BMU-27	Tseung Kwan O	Residential building	April 2018	December 2020	9,490	9,453	99.6	457	1,779	Nil	
BMU-28	Ma On Shan	Residential building	June 2017	November 2019	9,381	12,282	130.9	2,038	2,112	75	
BMU-29	Tung Chung	Commercial building	September 2017	February 2020	8,420	8,507	101.0	888	4,845	Nil	
								Sub-total	86,908		
								Other BMU system works design and build projects	113,628		
								Total	200,536		

Notes:

1. The commencement date of a project refers to the date on which the letter of acceptance or equivalent document was issued to us.
2. The expected completion date of a façade works project refers to the date on which the practical completion certificate is expected to be issued to us. The expected completion date of a BMU system works project refers to the date on which the handover certificate is expected to be issued to us.
3. In respect of some of these projects, the awarded contract sum without variation order is greater than the aggregate of the accumulated revenue (including variation orders) recognised up to 30 April 2019 and the estimated revenue to be recognised after the Track Record Period because there were variation orders that cancelled certain provisional work or otherwise altered the scope of work as originally set out under the relevant tender document or contract, resulting in a reduction in the overall amount of work that we were required to perform.

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Details of design and build projects we had submitted tenders for as at the Latest Practicable Date

As at the Latest Practicable Date, we had submitted 48 tenders for design and build projects in relation to façade works and 57 tenders for design and build projects in relation to BMU system works with a total estimated contract sum of approximately HK\$5,174.7 million which were pending tender results (collectively, “**Tendered Projects**”). Based on our average tender success rates during the Track Record Period (i.e. 12.7% for façade works and 49.0% for BMU system works, as detailed in the section headed “Business – Operating procedures – Projects tendering stage” in this prospectus), we estimate that we have a reasonable chance to secure six façade works projects and 28 BMU system works projects.

The following table sets forth a breakdown of the estimated contract sum of the Tendered Projects by our business relationship with the relevant counterparties:

	Estimated contract sum <i>HK\$'000</i>	Percentage of total estimated contract sum %
<i>Façade works:</i>		
Five largest customers	2,319,751	44.8
Existing non-five largest customers ^(Note 1)	2,094,780	40.5
New non-five largest customers ^(Note 2)	510,839	9.9
Sub-total:	4,925,370	95.2
<i>BMU system works:</i>		
Five largest customers	57,928	1.2
Existing non-five largest customers ^(Note 1)	126,816	2.4
New non-five largest customers ^(Note 2)	64,550	1.2
Sub-total:	249,294	4.8
Total:	5,174,664	100

Notes:

1. “Existing non-five largest customers” refer to customers which are not our five largest customers and to which we had provided services during the Track Record Period and up to the Latest Practicable Date.
2. “New non-five largest customers” refer to customers which are not our five largest customers and to which we had not provided services during the Track Record Period and up to the Latest Practicable Date.

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Details of the Tendered Projects are set forth below:

Project code	Counterparty	Expected date of announcement of tender result	Expected commencement date ^(Note 1)	Expected completion date ^(Note 2)	Expected date of paying upfront costs	Expected date of issuing surety bond	Estimated	Estimated	
							contract sum	sum of upfront costs ^(Note 3)	sum of surety bond ^(Note 4)
							HK\$'000	HK\$'000	HK\$'000
<i>Façade works:</i>									
F-30	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2023	4th quarter of 2019	2nd quarter of 2020	111,756	11,176	11,176
F-33	Customer B	4th quarter of 2019	4th quarter of 2019	1st quarter of 2022	4th quarter of 2019	2nd quarter of 2020	267,933	26,793	26,793
F-41	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	4th quarter of 2021	1st quarter of 2020	2nd quarter of 2020	12,404	1,240	1,240
F-42	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	4th quarter of 2021	1st quarter of 2020	2nd quarter of 2020	64,780	6,478	6,478
F-44	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	1st quarter of 2020	1st quarter of 2022	1st quarter of 2020	2nd quarter of 2020	203,349	20,335	20,335
F-51	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	1st quarter of 2022	1st quarter of 2020	2nd quarter of 2020	344,900	34,490	34,490
F-52	Customer D	4th quarter of 2019	4th quarter of 2019	1st quarter of 2021	4th quarter of 2019	1st quarter of 2020	283,502	28,350	28,350
F-55	Customer B	4th quarter of 2019	4th quarter of 2019	1st quarter of 2023	1st quarter of 2020	2nd quarter of 2020	312,240	31,224	31,224
F-56	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2022	1st quarter of 2020	2nd quarter of 2020	39,163	3,916	3,916
F-57	Customer A	4th quarter of 2019	4th quarter of 2019	1st quarter of 2020	1st quarter of 2020	N/A	3,695	370	Nil
F-58	Customer A	4th quarter of 2019	4th quarter of 2019	4th quarter of 2019	4th quarter of 2019	N/A	131	13	Nil
F-60	Customer A	4th quarter of 2019	4th quarter of 2019	4th quarter of 2022	4th quarter of 2019	N/A	17,798	1,780	Nil
F-62	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	4th quarter of 2021	1st quarter of 2020	2nd quarter of 2020	250,018	25,002	25,002
F-63	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	4th quarter of 2021	1st quarter of 2020	N/A	10,337	1,034	Nil
F-64	Customer A	4th quarter of 2019	4th quarter of 2019	1st quarter of 2023	1st quarter of 2020	N/A	73,933	7,393	Nil
F-65	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2022	1st quarter of 2020	2nd quarter of 2020	184,994	18,499	18,499
F-66	Existing non-five largest customer ^(Note 5)	1st quarter of 2020	1st quarter of 2020	2nd quarter of 2022	2nd quarter of 2020	3rd quarter of 2020	106,924	10,692	10,692
F-69	Customer D	4th quarter of 2019	4th quarter of 2019	1st quarter of 2022	4th quarter of 2019	N/A	326,141	32,614	Nil
F-70	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	4th quarter of 2021	4th quarter of 2019	N/A	9,174	917	Nil

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Project code	Counterparty	Expected date of announcement of tender result	Expected commencement date ^(Note 1)	Expected completion date ^(Note 2)	Expected date of paying upfront costs	Expected date of issuing surety bond	Estimated	Estimated	
							Estimated contract sum	sum of upfront costs ^(Note 3)	sum of surety bond ^(Note 4)
							HK\$'000	HK\$'000	HK\$'000
F-71	Customer B	4th quarter of 2019	4th quarter of 2019	4th quarter of 2021	1st quarter of 2020	N/A	34,616	3,462	Nil
F-76	Customer A	4th quarter of 2019	4th quarter of 2019	4th quarter of 2019	4th quarter of 2019	N/A	420	42	Nil
F-77	New non-five largest customer ^(Note 6)	4th quarter of 2019	4th quarter of 2019	1st quarter of 2021	4th quarter of 2019	1st quarter of 2020	66,147	6,615	6,615
F-78	Customer A	4th quarter of 2019	4th quarter of 2019	4th quarter of 2022	1st quarter of 2020	N/A	104,052	10,405	Nil
F-79	Customer A	3rd quarter of 2019	4th quarter of 2019	4th quarter of 2019	4th quarter of 2019	N/A	510	51	Nil
F-80	Customer B	4th quarter of 2019	4th quarter of 2019	4th quarter of 2023	4th quarter of 2019	1st quarter of 2020	206,807	20,681	20,681
F-81	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	3rd quarter of 2022	4th quarter of 2019	1st quarter of 2020	298,980	29,898	29,898
F-82	Customer A	4th quarter of 2019	4th quarter of 2019	4th quarter of 2020	4th quarter of 2019	N/A	35,330	3,333	Nil
F-83	New non-five largest customer ^(Note 6)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2020	4th quarter of 2019	N/A	3,633	363	Nil
F-84	Customer D	4th quarter of 2019	4th quarter of 2019	4th quarter of 2021	1st quarter of 2020	2nd quarter of 2020	97,927	9,793	9,793
F-85	Customer A	4th quarter of 2019	4th quarter of 2019	3rd quarter of 2020	1st quarter of 2020	N/A	9,968	997	Nil
F-86	Customer B	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	151,257	15,126	Nil
F-87	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	2nd quarter of 2020	92,282	9,228	9,228
F-88	Customer A	4th quarter of 2019	4th quarter of 2019	1st quarter of 2021	4th quarter of 2019	N/A	77,764	7,776	Nil
F-89	Customer A	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2020	4th quarter of 2019	N/A	11,547	1,155	Nil
F-90	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	2nd quarter of 2020	57,375	5,738	5,738
F-91	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2022	2nd quarter of 2020	2nd quarter of 2020	61,889	6,189	6,189
F-92	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2022	2nd quarter of 2020	2nd quarter of 2020	39,351	3,935	3,935
F-93	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2022	2nd quarter of 2020	2nd quarter of 2020	26,516	2,652	2,652
F-94	New non-five largest customer ^(Note 6)	4th quarter of 2019	4th quarter of 2019	4th quarter of 2021	4th quarter of 2019	N/A	45,890	4,589	Nil
F-95	Customer A	4th quarter of 2019	4th quarter of 2019	4th quarter of 2021	4th quarter of 2019	N/A	3,712	371	Nil

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Project code	Counterparty	Expected date of announcement of tender result	Expected commencement date ^(Note 1)	Expected completion date ^(Note 2)	Expected date of paying upfront costs	Expected date of issuing surety bond	Estimated	Estimated	Estimated
							contract sum	sum of upfront costs ^(Note 3)	sum of surety bond ^(Note 4)
							HK\$'000	HK\$'000	HK\$'000
F-96	Customer B	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2023	4th quarter of 2019	2nd quarter of 2020	290,208	29,021	29,021
F-97	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	4th quarter of 2021	1st quarter of 2020	2nd quarter of 2020	46,784	4,678	4,678
F-98	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	3rd quarter of 2021	4th quarter of 2019	2nd quarter of 2020	64,445	6,444	6,444
F-99	New non-five largest customer ^(Note 6)	4th quarter of 2019	4th quarter of 2019	4th quarter of 2021	1st quarter of 2020	2nd quarter of 2020	73,570	7,357	7,357
F-100	Customer B	4th quarter of 2019	4th quarter of 2019	1st quarter of 2021	4th quarter of 2019	N/A	10,260	1,026	Nil
F-101	Existing non-five largest customer ^(Note 5)	1st quarter of 2020	1st quarter of 2020	2nd quarter of 2021	1st quarter of 2020	N/A	69,360	6,936	Nil
F-102	New non-five largest customer ^(Note 6)	4th quarter of 2019	4th quarter of 2019	1st quarter of 2022	4th quarter of 2019	N/A	276,826	27,683	Nil
F-103	New non-five largest customer ^(Note 6)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	4th quarter of 2019	2nd quarter of 2020	44,772	4,477	4,477
Sub-total:							4,925,370		
BMU system works:									
BMU-36	Customer C	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	1,460	219	Nil
BMU-42	Customer C	4th quarter of 2019	4th quarter of 2019	3rd quarter of 2021	1st quarter of 2020	N/A	15,000	2,250	Nil
BMU-43	New non-five largest customer ^(Note 6)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	700	105	Nil
BMU-45	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	2,200	330	Nil
BMU-52	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	2,305	346	Nil
BMU-60	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	2,106	316	Nil
BMU-62	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	1,220	183	Nil
BMU-64	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	4,800	720	Nil
BMU-68	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	4th quarter of 2021	1st quarter of 2020	2nd quarter of 2020	26,914	4,037	2,691
BMU-69	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	1,800	270	Nil

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Project code	Counterparty	Expected date of announcement of tender result	Expected commencement date ^(Note 1)	Expected completion date ^(Note 2)	Expected date of paying upfront costs	Expected date of issuing surety bond	Estimated	Estimated	
							Estimated contract sum	sum of upfront costs ^(Note 3)	sum of surety bond ^(Note 4)
							HK\$'000	HK\$'000	HK\$'000
BMU-70	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	1,710	257	Nil
BMU-71	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	1,640	246	Nil
BMU-76	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	2nd quarter of 2020	5,250	788	525
BMU-77	New non-five largest customer ^(Note 6)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	2nd quarter of 2020	2,590	389	259
BMU-80	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	7,790	1,169	Nil
BMU-82	New non-five largest customer ^(Note 6)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	2nd quarter of 2020	2,670	401	267
BMU-83	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	2nd quarter of 2020	2,440	366	244
BMU-84	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	750	113	Nil
BMU-85	New non-five largest customer ^(Note 6)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	2nd quarter of 2020	5,920	888	592
BMU-87	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	950	143	Nil
BMU-88	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	2,790	419	Nil
BMU-89	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	4,960	744	Nil
BMU-91	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	4,350	653	Nil
BMU-93	New non-five largest customer ^(Note 6)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	990	149	Nil
BMU-103	Customer C	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	4,500	675	Nil
BMU-104	New non-five largest customer ^(Note 6)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	600	90	Nil
BMU-105	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	740	111	Nil
BMU-106	Existing non-five largest customer ^(Note 5)	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	N/A	3,890	584	Nil
BMU-108	Existing non-five largest customer ^(Note 5)	2nd quarter of 2020	2nd quarter of 2020	4th quarter of 2021	3rd quarter of 2020	N/A	3,350	503	Nil
BMU-109	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	2nd quarter of 2020	6,760	1,014	676
BMU-110	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	1,830	275	Nil

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Project code	Counterparty	Expected date of announcement of tender result	Expected commencement date ^(Note 1)	Expected completion date ^(Note 2)	Expected date of paying upfront costs	Expected date of issuing surety bond	Estimated	Estimated	
							Estimated contract sum	sum of upfront costs ^(Note 3)	sum of surety bond ^(Note 4)
							HK\$'000	HK\$'000	HK\$'000
BMU-111	Existing non-five largest customer ^(Note 5)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	10,260	1,539	Nil
BMU-112	Existing non-five largest customer ^(Note 5)	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	N/A	1,430	214	Nil
BMU-118	Customer A	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	2nd quarter of 2020	2,860	429	286
BMU-119	New non-five largest customer ^(Note 6)	4th quarter of 2019	4th quarter of 2019	2nd quarter of 2021	1st quarter of 2020	N/A	1,980	297	Nil
BMU-122	New non-five largest customer ^(Note 6)	3rd quarter of 2020	3rd quarter of 2020	1st quarter of 2022	4th quarter of 2020	1st quarter of 2021	21,160	3,174	2,116
BMU-123	New non-five largest customer ^(Note 6)	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	3rd quarter of 2020	1,350	202	135
BMU-124	New non-five largest customer ^(Note 6)	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	3rd quarter of 2020	1,280	192	128
BMU-125	New non-five largest customer ^(Note 6)	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	3rd quarter of 2020	1,480	222	148
BMU-126	New non-five largest customer ^(Note 6)	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	3rd quarter of 2020	1,150	173	115
BMU-127	New non-five largest customer ^(Note 6)	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	3rd quarter of 2020	1,450	218	145
BMU-128	New non-five largest customer ^(Note 6)	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	3rd quarter of 2020	1,560	234	156
BMU-129	New non-five largest customer ^(Note 6)	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	3rd quarter of 2020	1,250	188	125
BMU-130	Existing non-five largest customer ^(Note 5)	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	N/A	2,340	351	Nil
BMU-131	New non-five largest customer ^(Note 6)	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	3rd quarter of 2020	6,850	1,028	685
BMU-132	Customer D	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	N/A	1,570	236	Nil
BMU-133	Existing non-five largest customer ^(Note 5)	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	N/A	2,281	342	Nil
BMU-134	Existing non-five largest customer ^(Note 5)	3rd quarter of 2020	3rd quarter of 2020	1st quarter of 2022	4th quarter of 2020	1st quarter of 2021	6,630	995	663
BMU-135	Customer B	2nd quarter of 2020	2nd quarter of 2020	4th quarter of 2021	3rd quarter of 2020	4th quarter of 2020	7,650	1,148	765
BMU-136	New non-five largest customer ^(Note 6)	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	N/A	290	44	Nil
BMU-137	Existing non-five largest customer ^(Note 5)	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	N/A	2,400	360	Nil
BMU-138	Existing non-five largest customer ^(Note 5)	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	N/A	2,100	315	Nil

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Project code	Counterparty	Expected date of announcement of tender result	Expected commencement date ^(Note 1)	Expected completion date ^(Note 2)	Expected date of paying upfront costs	Expected date of issuing surety bond	Estimated	Estimated	
							Estimated contract sum	sum of upfront costs ^(Note 3)	sum of surety bond ^(Note 4)
							HK\$'000	HK\$'000	HK\$'000
BMU-139	Existing non-five largest customer ^(Note 5)	1st quarter of 2020	1st quarter of 2020	3rd quarter of 2021	2nd quarter of 2020	N/A	1,900	285	Nil
BMU-140	New non-five largest customer ^(Note 6)	2nd quarter of 2020	2nd quarter of 2020	4th quarter of 2021	3rd quarter of 2020	4th quarter of 2020	11,280	1,692	1,128
BMU-141	Customer A	2nd quarter of 2020	2nd quarter of 2020	4th quarter of 2021	3rd quarter of 2020	N/A	23,398	3,510	Nil
BMU-142	Existing non-five largest customer ^(Note 5)	2nd quarter of 2020	2nd quarter of 2020	4th quarter of 2021	3rd quarter of 2020	N/A	6,930	1,040	Nil
BMU-143	Customer A	2nd quarter of 2020	2nd quarter of 2020	4th quarter of 2021	3rd quarter of 2020	N/A	1,490	224	Nil
Sub-total:							249,294		
Total:							<u>5,174,664</u>	<u>529,942</u>	<u>376,750</u>

Notes:

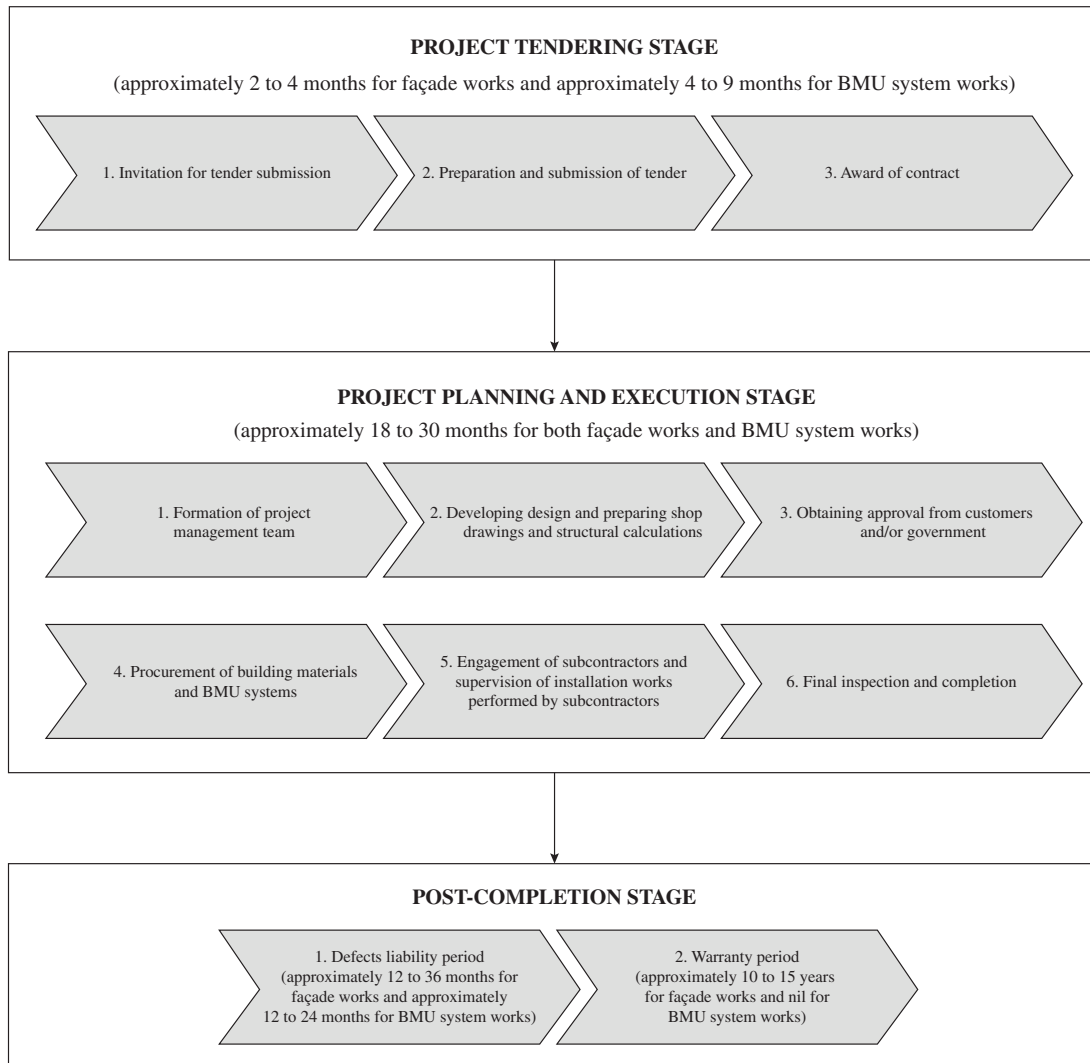
- The expected commencement date of a project refers to the date on which the letter of acceptance or equivalent document is expected to be issued to us.
- The expected completion date of a façade works project refers to the date on which the practical completion certificate is expected to be issued to us. The expected completion date of a BMU system works project refers to the date on which the handover certificate is expected to be issued to us.
- The estimated sum of upfront costs represents up to approximately 10% and 15% of the awarded contract sum in a façade works project and in a BMU system works project, respectively, based on our Directors' experience and taking into account our projects undertaken during the Track Record Period.
- The sum of surety bond required is approximately 10% of the awarded contract sum. "Nil" means that we are not required to take out surety bonds for these projects.
- During the Track Record Period and up to the Latest Practicable Date, we had provided services to these existing non-five largest customers. Given our proven track record, stable and experienced management team, long-term business relationships with our major customers (including several construction contractors which are subsidiaries of reputable property developers listed on the Stock Exchange and other large-scale construction contractors), average tender success rates during the Track Record Period (i.e. 12.7% for façade works), well-established reputation and strong market position, we believe that we have a reasonable chance to secure the relevant projects.
- During the Track Record Period and up to the Latest Practicable Date, we had not provided services to these new non-five largest customers. Having considered that (i) according to Ipsos, we ranked eighth among the top 10 design and build solution service providers for façade works and ranked first among the top five design and build solution service providers for BMU system works in Hong Kong in 2018 in terms of revenue; (ii) according to Ipsos, we had a market share of approximately 4.7% in the facade works industry in Hong Kong and 49.9% in the BMU system works industry in Hong Kong in 2018; and (iii) we have over 29 years of experience in the façade works industry in Hong Kong and 18 years of experience in the BMU system works industry in Hong Kong with well-established reputation, our Directors consider that we have a reasonable chance to secure the projects from them. Our Directors also consider that, since the Tendered Projects in relation to these new non-five largest customers account for only approximately 11.1% of the overall Tendered Projects in terms of estimated aggregate contract sum, our success in securing the projects from them would not significantly affect our future plans and use of proceeds.

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OPERATING PROCEDURES

Design and build projects

Set out below is a flow chart summarising a usual workflow of a typical design and build project:



Project tendering stage

We are generally invited by our existing or potential customers to submit a tender for potential design and build projects. A tender document normally contains details of the project, such as location, expected timetable, scope of works and services to be provided by us, design and materials requirements, and other technical specifications.

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After receiving the tender document for a potential project, we will evaluate it with reference to factors such as (i) the nature of works; (ii) the estimated costs; (iii) the project schedule; (iv) the scale of the project; (v) the amount of surety bond required; (vi) our projects on hand; (vii) availability of our resources; and (viii) financial reliability of the potential customer. If we consider the potential project is feasible, we will begin the preparation of the tender by developing a design that meets the project specifications and conducting a series of analysis, such as costing and pricing, construction programme and technical analysis.

We are generally required to submit the tender approximately one month upon the receipt of the tender document. Depending on the project specifications, the tender for a project may include (i) the offer price with the schedule of rates and quantities; (ii) construction methodology; (iii) construction programme with estimation of the time required for completion; (iv) tender drawings; and (v) building materials list.

Upon receipt of our tender submission, our potential customers may request for a tender interview to discuss with us further on terms and details of the tender submitted. Award of project is generally confirmed by way of a letter of acceptance or other equivalent document issued by the property developers. We will then enter into a formal contract with the main contractors.

Our average tender success rate during the Track Record Period was 12.7% in respect of façade works and 49.0% in respect of BMU system works. The following table sets forth a summary of the number of tenders submitted by us, number of tenders awarded to us and our tender success rate during the Track Record Period in respect of design and build projects:

Façade works

	Year ended 31 December			Four months ended 30 April 2019	Total
	2016	2017	2018	2019	
Number of tenders submitted	65	55	90	18	228
Number of tenders awarded ^(Note)	6	6	11	5	28
Tender success rate (%) ^(Note)	9.2	10.9	12.5	38.5	12.7

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BMU system works

	Year ended 31 December			Four months ended 30 April 2019	Total
	2016	2017	2018	2019	
Number of tenders submitted	68	60	73	26	227
Number of tenders awarded ^(Note)	29	36	26	7	98
Tender success rate (%) ^(Note)	42.6	60.0	42.6	63.6	49.0

Note: Tender success rate for a year or period is calculated based on the number of tenders awarded in respect of the tenders submitted during that year or period, regardless of whether the tenders were awarded in the same year or period or subsequently. As at the Latest Practicable Date, (i) out of the 90 tenders in relation to façade works submitted in 2018, 2 were still pending results; (ii) out of the 73 tenders in relation to BMU system works submitted in 2018, 12 were still pending results; (iii) out of the 18 tenders in relation to façade works submitted in the four months ended 30 April 2019, 5 were still pending results; and (iv) out of the 26 tenders in relation to BMU system works submitted in the four months ended 30 April 2019, 15 were still pending results. These tenders were excluded for the purpose of determining the tender success rate.

Project planning and execution stage

After entering into a formal contract with our customers, we will form a project management team, usually comprising a project manager, a project coordinator, a site supervisor, a design manager and other staff. The project manager is responsible for the overall management of the project, site management and supervision of the progress and quality of our work. The project coordinator is responsible for monitoring the procurement of building materials and coordination with suppliers and the construction site. The site supervisor is responsible for monitoring the work progress at the construction site and coordination with subcontractors. The design manager is responsible for management of design-related works and supervision of shop drawings.

Having formed a project management team, we will develop the design of the façade based on the preliminary design intent of our customers and the design of the BMU system based on the practical needs of our customers and the structural requirements of the building or structure. During this process, we work closely with the architects, structural engineers, BMU system suppliers and our customers. We prepare shop drawings and structural calculations for our customers' approval. Depending on the requirements of our customers, we may conduct a mock-up testing of the façade systems for our customers to visualise and assess the design, and we may arrange for independent laboratories to conduct performance testing of the façade systems in respect of air infiltration, water penetration, and/or other aspects so as to ensure that they meet our customers' requirements.

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After obtaining approval of the design from our customers and the Buildings Department (if required under the relevant legal requirements), we will commence procurement of building materials and BMU systems. Purchase orders are issued by us to the suppliers for the specifications and quantity needed on a project-by-project basis. Some building materials are first delivered to our subcontractors for fabrication. The finished products are then delivered to the construction site for installation. Other building materials as well as BMU systems are usually delivered directly to the construction site for installation. Our building materials suppliers and BMU systems suppliers are generally responsible for the delivery of the goods to the construction sites or other designated locations.

We engage subcontractors to perform installation works on a project-by-project basis. For façade installation works performed by our subcontractors, we assign our site supervisors to conduct on-site supervision in order to ensure that the work quality and progress is satisfactory. The site supervisor conducts interim inspection at different phases during the project execution stage. If any defect or problem is identified, we will instruct our subcontractors to rectify it. For BMU system works, each newly installed BMU system will undergo a testing and commission procedure before it is put into use and an independent registered professional engineer will conduct inspection to ensure that the BMU system meets the relevant safety requirements and issue a certificate in accordance with the relevant laws and regulations.

We generally make progress payment applications to our customers from time to time with reference to the works completed on the basis as stipulated in the contract. For façade works, we usually apply for progress payments at regular intervals as stipulated under the contract depending on the practice of the customers, such as bi-weekly or monthly, for a sum based on the amount of work completed between such intervals. For BMU system works, we usually apply for progress payments in terms of a certain percentage of the contract sum based on the occurrence of certain milestone events, such as completion of installation work (which usually takes place at around eight to 13 months after project commencement) and handover of the BMU systems (which usually takes place at around 18 to 30 months after project commencement). According to Ipsos, the timeframe of our progress payment application in respect of BMU system works is in line with the industry norm. Our Directors are of the view that the above payment application arrangement is comparable with our industry peers. For some of the projects, our customers and/or their authorised persons will then carry out an inspection on the completed works and issue a payment certificate to certify the progress of works completed. Upon receipt of the payment certificate, we will issue an invoice to our customers. Our customers generally withhold 10% of each progress payment up to a maximum of 5% of the total contract sum as retention money, half of which will usually be released upon practical completion of the project and the remaining half will be released after expiry of the defects liability period. For further details, please refer to the paragraph headed “Customers – Credit policy” below in this section.

Upon completion of all our works, we will arrange with our customers to conduct a final inspection. After the final inspection, our customers will issue a practical completion certificate or a handover certificate to us and the project will be regarded as completed.

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During the Track Record Period and up to the Latest Practicable Date, apart from the delay of projects F-12, F-13, F-15, F-19, BMU-16, BMU-20 and BMU-24, we did not encounter any material project delays or cost overruns. Project F-15 was delayed due to the property owner's change in the design of the façade works. Projects F-19, BMU-20 and BMU-24 were delayed due to delay in the main contractor's work schedule. For details of projects F-12, F-13 and BMU-16, please refer to the section headed "Financial information" in this prospectus.

Post-completion stage

We generally provide our customers with a defects liability period after practical completion of the project. The defects liability period is usually 12 to 36 months for façade works and 12 to 24 months for BMU system works, subject to the terms as set out in the contracts. During the defects liability period, we are responsible for rectifying defects relating to our works at our own costs upon request from our customers. After expiry of the defects liability period, our customers will issue a certificate of completion of making good defects and release the remaining retention money to us. In order to protect our interest, we generally withhold 10% of each progress payment to our subcontractors up to a maximum of 5% of the total subcontracting charges as retention money, half of which will usually be released upon practical completion of the project and the remaining half will be released after expiry of the defects liability period. For further details, please refer to the paragraph headed "Subcontractors – Salient subcontracting terms" below in this section.

We generally provide our customers with a warranty period in respect of the design, materials and workmanship of our façade works. The warranty period is usually 10 to 15 years after practical completion of the project or expiry of the defects liability period. Our glass and aluminium suppliers generally provide us with warranty in respect of their products for a similar period. We generally do not provide warranty in respect of our BMU systems.

CUSTOMERS

Our customers are primarily main contractors. We typically secure new businesses through direct invitation for tendering by our existing customers or potential customers. During the Track Record Period, all of our major customers were located in Hong Kong and all of our revenue was denominated in HK\$.

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Major customers

For the three years ended 31 December 2018 and the four months ended 30 April 2019, revenue attributable to our largest customer accounted for approximately 51.2%, 58.2%, 52.0% and 45.1% of our total revenue, while revenue attributable to our five largest customers in aggregate accounted for approximately 86.0%, 87.1%, 82.2% and 84.4% of our total revenue, respectively.

Set out below are certain details in relation to our five largest customers during the Track Record Period:

For the year ended 31 December 2016

Ranking	Customer	Background and principal business	Type of services provided by us	Length of business relationship	Credit term	Payment method	Revenue	Percentage of total revenue
							HK\$'000	%
1	Customer A	Construction contractors located in Hong Kong, being subsidiaries of a property developer whose shares are listed on the Stock Exchange and whose revenue in 2018 amounted to approximately HK\$85.6 billion.	Façade works and BMU system works	18 years	Within 30 days upon submission of payment application	Bank transfer	246,390	51.2
2	Customer B	Construction contractors located in Hong Kong, being subsidiaries of a property developer whose shares are listed on the Stock Exchange and whose revenue in 2018 amounted to approximately HK\$60.7 billion.	Façade works and BMU system works	16 years	Within 30 days upon submission of payment application	Bank transfer	96,541	20.1
3	Customer C	A construction contractor located in Hong Kong and its subsidiary which is also a construction contractor located in Hong Kong. According to their annual returns filed with the Companies Registry of Hong Kong in 2018, the former company is a private company incorporated in Hong Kong with limited liability in 1958 and has a total paid up capital of approximately HK\$272.9 million and the latter company is a private company incorporated in Hong Kong with limited liability in 1986 and has a total paid up capital of HK\$500,000. None of their operational and financial information is publicly available.	Façade works and BMU system works	8 years	Within 60 days upon receipt of payment certificate	Bank transfer	37,322	7.8
4	Customer D	Construction contractors located in Hong Kong, being subsidiaries of a construction contractor whose shares are listed on the Stock Exchange and whose revenue in 2018 amounted to approximately HK\$55.6 billion.	BMU system works	8 years	Within 90 days upon receipt of payment certificate	Cheque	16,659	3.5

BUSINESS

Ranking	Customer	Background and principal business	Type of services provided by us	Length of business relationship	Credit term	Payment method	Revenue <i>HK\$'000</i>	Percentage of total revenue %
5	Customer E	A construction contractor located in Hong Kong, being a subsidiary of a construction contractor whose shares are listed on the Stock Exchange and whose revenue in 2018 amounted to approximately HK\$792.0 million.	Façade works and BMU system works	2 years	Within 60 days upon receipt of payment certificate	Cheque	16,533	3.4
Total							<u>413,445</u>	<u>86.0</u>

For the year ended 31 December 2017

Ranking	Customer	Background and principal business	Type of services provided by us	Length of business relationship	Credit term	Payment method	Revenue <i>HK\$'000</i>	Percentage of total revenue %
1	Customer A	Construction contractors located in Hong Kong, being subsidiaries of a property developer whose shares are listed on the Stock Exchange and whose revenue in 2018 amounted to approximately HK\$85.6 billion.	Façade works and BMU system works	18 years	Within 30 days upon submission of payment application	Bank transfer	246,463	58.2
2	Customer B	Construction contractors located in Hong Kong, being subsidiaries of a property developer whose shares are listed on the Stock Exchange and whose revenue in 2018 amounted to approximately HK\$60.7 billion.	Façade works and BMU system works	16 years	Within 30 days upon submission of payment application	Bank transfer	78,007	18.4
3	Customer C	A construction contractor located in Hong Kong and its subsidiary which is also a construction contractor located in Hong Kong. According to their annual returns filed with the Companies Registry of Hong Kong in 2018, the former company is a private company incorporated in Hong Kong with limited liability in 1958 and has a total paid up capital of approximately HK\$272.9 million and the latter company is a private company incorporated in Hong Kong with limited liability in 1986 and has a total paid up capital of HK\$500,000. None of their operational and financial information is publicly available.	Façade works and BMU system works	8 years	Within 60 days upon receipt of payment certificate	Bank transfer	32,878	7.8

BUSINESS

Ranking	Customer	Background and principal business	Type of services provided by us	Length of business relationship	Credit term	Payment method	Revenue	Percentage of total revenue
							HK\$'000	%
4	Customer F	A construction contractor located in Hong Kong, being a subsidiary of a property developer whose shares are listed on the Stock Exchange and whose revenue in 2017 amounted to approximately HK\$6.3 billion.	BMU system works	10 years	Within 30 days upon receipt of payment certificate	Cheque	6,059	1.4
5	Customer G	A construction contractor located in Hong Kong, being a subsidiary of a construction contractor whose shares are listed on the Stock Exchange and whose revenue in 2018 amounted to approximately HK\$5.4 billion.	Façade works and BMU system works	2 years	Within 60 days upon receipt of payment certificate	Cheque	5,670	1.3
Total							369,077	87.1

For the year ended 31 December 2018

Ranking	Customer	Background and principal business	Type of services provided by us	Length of business relationship	Credit term	Payment method	Revenue	Percentage of total revenue
							HK\$'000	%
1	Customer A	Construction contractors located in Hong Kong, being subsidiaries of a property developer whose shares are listed on the Stock Exchange and whose revenue in 2018 amounted to approximately HK\$85.6 billion.	Façade works and BMU system works	18 years	Within 30 days upon submission of payment application	Bank transfer	242,200	52.0
2	Customer B	Construction contractors located in Hong Kong, being subsidiaries of a property developer whose shares are listed on the Stock Exchange and whose revenue in 2018 amounted to approximately HK\$60.7 billion.	Façade works and BMU system works	16 years	Within 30 days upon submission of payment application	Bank transfer	96,288	20.7
3	Customer H	A construction contractor located in Hong Kong. According to its annual return filed with the Companies Registry of Hong Kong in 2018, it is a private company incorporated in Hong Kong with limited liability in 1973 and has a total paid up capital of HK\$6.0 million. Its operational and financial information is not publicly available.	BMU system works	15 years	Within 60 days upon receipt of payment certificate	Cheque	20,517	4.4

BUSINESS

Ranking	Customer	Background and principal business	Type of services provided by us	Length of business relationship	Credit term	Payment method	Revenue <i>HK\$'000</i>	Percentage of total revenue %
4	Sunnic-Woon Lee – Joint Venture	A construction contractor located in Hong Kong, being a joint venture held by a property developer whose shares are listed on the Stock Exchange and whose revenue in 2018 amounted to approximately HK\$7.5 billion and a private company incorporated in Hong Kong with limited liability in 1977 which has a total paid up capital of HK\$20.0 million according to its annual return filed with the Companies Registry of Hong Kong in 2018 and whose operational and financial information is not publicly available.	BMU system works	2 years	Within 30 days upon receipt of payment certificate	Cheque	12,469	2.7
5	Customer G	A construction contractor located in Hong Kong, being a subsidiary of a construction contractor whose shares are listed on the Stock Exchange and whose revenue in 2018 amounted to approximately HK\$5.4 billion.	Façade works and BMU system works	2 years	Within 60 days upon receipt of payment certificate	Cheque	11,090	2.4
Total							<u>382,564</u>	<u>82.2</u>

For the four months ended 30 April 2019

Ranking	Customer	Background and principal business	Type of services provided by us	Length of business relationship	Credit term	Payment method	Revenue <i>HK\$'000</i>	Percentage of total revenue %
1	Customer A	Construction contractors located in Hong Kong, being subsidiaries of a property developer whose shares are listed on the Stock Exchange and whose revenue in 2018 amounted to approximately HK\$85.6 billion.	Façade works and BMU system works	18 years	Within 30 days upon submission of payment application	Bank transfer	76,935	45.1
2	Customer B	Construction contractors located in Hong Kong, being subsidiaries of a property developer whose shares are listed on the Stock Exchange and whose revenue in 2018 amounted to approximately HK\$60.7 billion.	Façade works and BMU system works	16 years	Within 30 days upon submission of payment application	Bank transfer	27,211	15.9

BUSINESS

Ranking	Customer	Background and principal business	Type of services provided by us	Length of business relationship	Credit term	Payment method	Revenue	Percentage of total revenue
							HK\$'000	%
3	Customer C	A construction contractor located in Hong Kong and its subsidiary which is also a construction contractor located in Hong Kong. According to their annual returns filed with the Companies Registry of Hong Kong in 2018, the former company is a private company incorporated in Hong Kong with limited liability in 1958 and has a total paid up capital of approximately HK\$272.9 million and the latter company is a private company incorporated in Hong Kong with limited liability in 1986 and has a total paid up capital of HK\$500,000. None of their operational and financial information is publicly available.	Façade works and BMU system works	8 years	Within 60 days upon submission of payment application	Bank transfer	24,745	14.5
4	Customer H	A construction contractor located in Hong Kong. According to its annual return filed with the Companies Registry of Hong Kong in 2018, it is a private company incorporated in Hong Kong with limited liability in 1973 and has a total paid up capital of HK\$6.0 million. Its operational and financial information is not publicly available.	BMU system works	15 years	Within 60 days upon receipt of payment certificate	Cheque	8,464	5.0
5	Customer D	Construction contractors located in Hong Kong, being subsidiaries of a construction contractor whose shares are listed on the Stock Exchange and whose revenue in 2018 amounted to approximately HK\$55.6 billion.	BMU system works	8 years	Within 90 days upon receipt of payment certificate	Cheque	6,717	3.9
Total							144,072	84.4

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

Customer concentration

For the three years ended 31 December 2018 and the four months ended 30 April 2019, approximately 86.0%, 87.1%, 82.2% and 84.4% of our total revenue was attributable to our five largest customers, respectively. During the same period, approximately 51.2%, 58.2%, 52.0% and 45.1% of our total revenue was attributable to our largest customer, Customer A, respectively. For details of the customer concentration risks, please refer to the section headed “Risk factors – Risks relating to our business – Revenue derived from our five largest customers accounted for a substantial portion of our total revenue, failure to retain business relationships with them or secure new business may affect our results of operation and financial performance” in this prospectus.

Despite the concentration on our five largest customers during the Track Record Period, we consider that our business is sustainable on the following grounds:

- According to the Ipsos Report, it is common for construction companies in Hong Kong to rely on a few customers due to the nature of the construction industry where a few major property developers and main contractors dominate the property development market in Hong Kong. Ipsos has identified a total of 36 subcontractors in the construction industry in Hong Kong that are newly listed on the Stock Exchange during the period from January 2016 to December 2018. According to their respective listing documents, 26 of them have over 90% of revenue attributable to their five largest customers for at least one financial year.
- According to the Ipsos Report, the gross output value of the façade works industry and the BMU system works industry are expected to grow from approximately HK\$6,011.5 million and HK\$411.8 million in 2019 to approximately HK\$7,049.3 million and HK\$506.7 million in 2023, at a CAGR of approximately 4.1% and 5.3%, respectively. Given this expected growth, we believe there will be an increasing demand for our services in the future to sustain our development.
- Our largest customer during the Track Record Period, Customer A, comprises several subsidiaries of a property developer whose shares are listed on the Stock Exchange and whose revenue in 2018 amounted to approximately HK\$85.6 billion. According to its annual report published in October 2018, it has 31 major property development projects under development in Hong Kong. As such, we believe that there will be a strong and stable demand for our services from Customer A in the future.
- We have established long-term business relationships with our five largest customers for up to 18 years. We believe that such long-term business relationships are built upon our satisfactory performance over the years, which would help us secure recurring business opportunities from these customers.

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- We have over 29 years of experience in the façade works industry in Hong Kong, and over 18 years of experience in the BMU system works industry in Hong Kong. According to the Ipsos Report, we are the only service provider in Hong Kong which provides one-stop design and build solutions for both façade works as well as BMU system works, with a leading market position in the BMU system works industry. We believe that with our good reputation and solid track record established over the years, we are able to secure projects from different property developers and main contractors.
- We have a strong pipeline of projects to sustain our development. As at the Latest Practicable Date, we had 99 design and build projects on hand, representing an increase of approximately 10.0% from 90 design and build projects on hand as at 31 December 2018, an increase of approximately 37.5% from 72 design and build projects on hand as at 31 December 2017 and an increase of approximately 41.4% from 70 design and build projects on hand as at 31 December 2016. Our backlog of design and build projects as at 30 April 2019 amounted to approximately HK\$555.9 million. Further, as at the Latest Practicable Date, we had submitted 105 tenders for design and build projects with a total estimated contract sum of approximately HK\$5,174.7 million which were pending tender results. Based on our average tender success rates during the Track Record Period, we estimate that we have a reasonable chance to secure new design and build projects with a total contract sum of approximately HK\$747.7 million. Therefore, we consider that we are able to maintain a sustainable business growth.

Pricing policy

We generally determine the price of our projects on an estimated project costs plus a mark-up margin on a project-by-project basis, taking into account various factors, such as the nature of the project, the estimated costs, the project schedule, our projects on hand, the availability of our resources, the scale and complexity of the project and the amount of surety bond required. We generally adopt the same pricing policy regardless of whether we provide both or either of façade works and BMU system works in a project.

BUSINESS

Salient terms of design and build contracts

We are generally engaged by our customers in design and build projects on a project-by-project basis. Our Directors consider that such arrangement is in line with the industry practice in Hong Kong. The terms of each design and build contract may vary. The salient terms of a typical design and build contract are shown below:

- | | | |
|------------------|---|--|
| Scope of work | : | The scope of services to be performed by us and the technical specifications and requirements of the building materials or BMU systems to be provided by us are set out in the contract. |
| Duration of work | : | We are required to follow the project schedule as set out in the contract, which may be extended from time to time pursuant to the terms of the contract. |
| Contract sum | : | A lump sum fixed price for carrying out all the works is set out in the contract, subject to any optional items and variation orders requested by our customers from time to time. |
| Subcontracting | : | We are generally not prohibited to engage subcontractors to carry out the works. We are responsible for the works performed by our subcontractors. |
| Insurance | : | Generally, the main contractor is responsible for maintaining insurance for the project, including employees' compensation and contractors' all risks. Sometimes, we may also be required to take out insurance ourselves. Please refer to the paragraph headed "Insurance" in this section for further details. |
| Surety bond | : | For some contracts, we are required by our customers to procure the issue of surety bonds by banks or insurance companies as security for due performance and satisfactory completion of the projects. The value of a surety bond typically amounts to 10% of the total contract sum of the project. |
| Payment terms | : | The basis of progress payments is set out in the contract. For further details, please refer to the paragraph headed "Customers – Credit policy" below in this section. |

BUSINESS

- Defects liability period : Our customers generally require a defects liability period after practical completion of the project, ranging from 12 to 36 months for façade works and 12 to 24 months for BMU system works. During the defects liability period, we are responsible for rectifying defects relating to our works at our own costs upon request from our customers.
- Retention money : Our customers are generally entitled to withhold 10% of each progress payment up to a maximum of 5% of the total contract sum as retention money, half of which will be released upon practical completion of the project and the remaining half will be released after expiry of the defects liability period.

Credit policy

In our design and build solution projects, we are generally required to submit application to our customers for progress payments with reference to the works completed on the basis as stipulated in the contract. For some of the projects, our customers and/or their authorised persons will then carry out an inspection on the completed works and issue a payment certificate to certify the progress of works completed. It generally takes approximately one month to obtain the payment certificate from the payment application submission date. Upon receipt of the payment certificate, we will issue an invoice to our customers.

In our design and build projects, our customers usually retain 10% from each progress payment as retention money up to a maximum of 5% of the total contract sum. In general, half of the retention money will be released upon practicable completion of the project and the remaining half will be released after expiry of the defects liability period.

During the Track Record Period, payments from our customers were generally settled by cheques or bank transfers. The credit period granted by us to our customers ranged from 30 to 90 days. For further details on our receivable turnover days, please refer to section headed “Financial information – Trade and retention receivables – Trade receivables” in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant delay in receiving progress payments.

BUSINESS

SUPPLIERS

Our suppliers generally include (i) suppliers for building materials, such as aluminium, steel and glass; (ii) suppliers for BMU systems; and (iii) suppliers for miscellaneous services, such as transportation. During the Track Record Period, our major suppliers were located in Hong Kong, Spain and the PRC and our purchases were generally denominated in HK\$, RMB and EUR.

Major suppliers

For the three years ended 31 December 2018 and the four months ended 30 April 2019, purchases attributable to our largest supplier accounted for approximately 24.4%, 21.1%, 44.9% and 36.3% of our total purchases, while purchases attributable to our five largest suppliers in aggregate accounted for approximately 71.2%, 60.4%, 69.1% and 77.8% of our total purchases, respectively.

Set out below are certain details in relation to our five largest suppliers during the Track Record Period:

For the year ended 31 December 2016

Ranking	Supplier	Background and principal business	Products supplied	Length of business relationship	Credit term	Payment method	Purchases <i>HK\$'000</i>	Percentage of total purchases %
1	Supplier A	A company engaging in design and manufacturing of BMU systems located in Spain	BMU systems	10 years	Nil	Letter of credit	50,933	24.4
2	Supplier B	A group of companies engaging in manufacturing of glass and facade systems located in Hong Kong and the PRC, including a company whose shares are listed on the Shenzhen Stock Exchange	Glass and metal products	13 years	30 to 45 days	Cheque	38,915	18.6
3	Supplier C	A company engaging in design, manufacturing and installation of BMU systems located in Hong Kong	BMU systems	11 years	30 days	Cheque	22,343	10.7

BUSINESS

Ranking	Supplier	Background and principal business	Products supplied	Length of business relationship	Credit term	Payment method	Purchases <i>HK\$'000</i>	Percentage of total purchases %
4	Supplier D	A company engaging in aluminium manufacturing business located in Hong Kong, being a subsidiary of a company whose shares are listed on the Stock Exchange	Aluminium products	12 years	45 days	Bank transfer	18,303	8.8
5	Supplier E	A company engaging in trading of façade-related products and metal products located in Hong Kong	Aluminium and other metal products	14 years	30 days	Bank transfer	18,214	8.7
Total							<u>148,708</u>	<u>71.2</u>

BUSINESS

For the year ended 31 December 2017

Ranking	Supplier	Background and principal business	Products supplied	Length of business relationship	Credit term	Payment method	Purchases <i>HK\$'000</i>	Percentage of total purchases %
1	Supplier A	A company engaging in design and manufacturing of BMU systems located in Spain	BMU systems	10 years	Nil	Letter of credit	32,368	21.1
2	Supplier C	A company engaging in design, manufacturing and installation of BMU systems located in Hong Kong	BMU systems	11 years	30 days	Cheque	24,387	15.9
3	Supplier D	A company engaging in aluminium manufacturing business located in Hong Kong, being a subsidiary of a company whose shares are listed on the Stock Exchange	Aluminium products	12 years	45 days	Bank transfer	14,075	9.2
4	Supplier B	A group of companies engaging in manufacturing of glass and facade systems located in Hong Kong and the PRC, including a company whose shares are listed on the Shenzhen Stock Exchange	Glass and metal products	13 years	30 to 45 days	Cheque	11,203	7.3
5	Supplier F	A company engaging in trading of aluminium products located in the PRC	Aluminium products	13 years	45 days	Letter of credit	10,524	6.9
Total							<u>92,557</u>	<u>60.4</u>

BUSINESS

For the year ended 31 December 2018

Ranking	Supplier	Background and principal business	Products supplied	Length of business relationship	Credit term	Payment method	Purchases <i>HK\$'000</i>	Percentage of total purchases %
1	Supplier A	A company engaging in design and manufacturing of BMU systems located in Spain	BMU systems	10 years	Nil	Letter of credit	95,716	44.9
2	Supplier C	A company engaging in design, manufacturing and installation of BMU systems located in Hong Kong	BMU systems	11 years	30 days	Cheque	22,271	10.5
3	Supplier G	A company engaging in supply of aluminium products located in Hong Kong	Aluminium products	1 year	60 days	Cheque	10,733	5.0
4	Supplier H	A company engaging in sale of aluminium and glass products and design and manufacturing of metal doors located in Hong Kong	Aluminium and glass products	6 years	30 days	Cheque	9,664	4.5
5	Supplier I	A company engaging in structural steel and mechanical design-related business located in Hong Kong	Metal products	3 years	30 days	Cheque	8,986	4.2
Total							147,370	69.1

BUSINESS

For the four months ended 30 April 2019

Ranking	Supplier	Background and principal business	Products supplied	Length of business relationship	Credit term	Payment method	Purchases <i>HK\$'000</i>	Percentage of total purchases %
1	Supplier A	A company engaging in design and manufacturing of BMU systems located in Spain	BMU systems	10 years	Nil	Letter of credit	29,067	36.3
2	Supplier C	A company engaging in design, manufacturing and installation of BMU systems located in Hong Kong	BMU systems	11 years	30 days	Cheque	21,529	26.9
3	Supplier H	A company engaging in sale of aluminium and glass products and design and manufacturing of metal doors located in Hong Kong	Aluminium and glass products	5 years	30 days	Cheque	4,490	5.6
4	Supplier J	A company engaging in construction metal works-related business located in Hong Kong	Metal products	2 years	30 days	Cheque	4,131	5.1
5	Supplier I	A company engaging in structural steel and mechanical design related business located in Hong Kong	Metal products	3 years	30 days	Cheque	3,166	3.9
Total							62,383	77.8

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

Basis of selection of suppliers

We maintain a list of approved suppliers, which is reviewed and updated from time to time. We select suppliers based on a number of criteria, such as relevant certifications, reputation, track record, capacity, price, quality and timely delivery. We also engage suppliers which are nominated by our customers. We regularly conduct on-site inspection of the production sites of our building materials suppliers and BMU systems suppliers to ensure that their product quality is satisfactory.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage or delay in relation to the supply of goods or services from our suppliers which materially or adversely affected our operations and financial conditions.

Salient purchase terms

We generally place purchase orders on a project-by-project basis and after the contracts with our customers are confirmed. Save for the long-term agreement entered into with Supplier A as summarised below, we have not entered into any long-term agreement with our suppliers. According to the Ipsos Report, such arrangement is in line with the industry practice in Hong Kong.

The terms of each purchase order may vary. The salient terms of a typical purchase order for building materials or BMU systems are summarised below:

Specification	:	The type, quantity and technical specification of the building materials or BMU systems is set out.
Payment terms	:	Credit terms generally range from nil to 60 days.
Deposit	:	Some suppliers may require deposit of 20% of the total amount of purchase.
Delivery	:	Our suppliers generally deliver the goods directly to the work sites or other designated locations.

BUSINESS

Salient terms of the long-term agreement with Supplier A

We have entered into a long-term agreement with Supplier A. Notwithstanding this agreement, the terms of each purchase are to be agreed individually in each purchase order. During the Track Record Period, we did not breach any provision of this agreement. Salient terms of this agreement are summarised below:

- | | | |
|-----------------------------|---|---|
| Duration | : | From 1 September 2008 to 31 August 2031, which shall be automatically extended for successive one year period unless terminated. |
| Exclusivity | : | We are granted the exclusive right to sell the BMU systems manufactured by Supplier A within Hong Kong. |
| Minimum purchase commitment | : | We are committed to purchase BMU systems from Supplier A in the minimum amount of EUR2 million a year. No penalty is stipulated under the agreement for failure to fulfil the minimum purchase commitment. During the Track Record Period, we had fulfilled the minimum purchase commitment. |
| Warranty | : | Supplier A provides a warranty of one year against material defects in respect of the BMU systems manufactured by them. |
| Termination | : | Supplier A is entitled to terminate this agreement if, among other things, Acme Gondola sells the BMU systems manufactured by Supplier A outside Hong Kong, breaches any of the provisions of this agreement, merges or consolidates, undergoes substantial change in management or control, or sells all or substantially all of its assets. This agreement shall terminate automatically if, among other things, Acme Gondola enters into receivership, liquidation or dissolution, faces bankruptcy, insolvency or debtor's relief proceedings which are not discharged or dismissed within 30 days, makes an assignment for the benefit of its creditors or ceases to carry on its business. Save as abovementioned, Supplier A does not have the right to terminate this agreement unilaterally. |

BUSINESS

Inventory control

We generally do not maintain any inventory, as building materials and BMU systems are ordered on a project-by-project basis and are generally delivered to the construction sites directly from the suppliers. From time to time, we may have inventories due to temporary storage of building materials and BMU systems that have been delivered to us by our suppliers pending to be transferred to the construction sites and this may occur when the construction sites are not available yet for commencement of installation works.

SUBCONTRACTORS

During the Track Record Period, we subcontracted installation works and fabrication works in relation to façade works and installation works in relation to BMU system works to our subcontractors. All of our subcontractors are engaged on a project-by-project basis and we are responsible for supervising the works performed by them.

According to the Ipsos Report, subcontracting of works is a common practice in the Hong Kong construction industry. Generally, main contractors outsource different parts of the construction works to subcontractors depending on their expertise. Property developers may also nominate subcontractors to be engaged by main contractors for certain part of the construction works. Similarly, we subcontract some of our works to other subcontractors, taking into account the availability of our labour resources and the estimated cost of otherwise performing the works by ourselves. By subcontracting installation works and fabrication works, we can obtain the manpower we need on a project-by-project basis without having to employ the workers as full-time staff or purchase the necessary machinery and equipment, thereby reducing our cost and increasing our competitiveness.

During the Track Record Period, our subcontracting charges amounted to HK\$144.9 million, HK\$139.6 million, HK\$109.5 million and HK\$34.9 million, respectively, representing 36.6%, 41.4%, 29.2% and 26.4% of our total cost of sales during the same period. As at the Latest Practicable Date, we had 52 subcontractors on our approved list of sub-contractors. We select our subcontractors based on their quality of work, qualifications, pricing, work experience and general reputation in the façade works industry and BMU system works industry. We will review and update the approved list from time to time. During the Track Record Period, none of the subcontractors was removed from our approved list as a result of unsatisfactory performance.

Major subcontractors

For the three years ended 31 December 2018 and the four months ended 30 April 2019, subcontracting charges attributable to our largest subcontractor accounted for approximately 20.1%, 21.5%, 14.7% and 18.2% of our total subcontracting charges, while subcontracting charges attributable to our five largest subcontractors in aggregate accounted for approximately 57.5%, 60.8%, 56.2% and 51.2% of our total subcontracting charges, respectively.

BUSINESS

Set out below are certain details in relation to our five largest subcontractors during the Track Record Period:

For the year ended 31 December 2016

Ranking	Subcontractor	Background and principal business	Services provided	Length of business relationship	Credit term	Payment method	Subcontracting charges <i>HK\$'000</i>	Percentage of total subcontracting charges %
1	Subcontractor A	A company engaging in façade installation works business located in Hong Kong	Façade installation works	11 years	30 days	Cheque	29,191	20.1
2	Subcontractor B	A company engaging in fabrication of steel and aluminium works located in Hong Kong	Fabrication of steel and aluminium works	18 years	30 days	Cheque	20,746	14.3
3	Subcontractor C	A company engaging in façade installation works business located in Hong Kong	Façade installation works	7 years	45 days	Cheque	11,474	7.9
4	Subcontractor D	A company engaging in façade installation works business located in Hong Kong	Façade installation works	4 years	60 days	Cheque	11,081	7.6
5	Subcontractor E	A company engaging in façade installation works business located in Hong Kong	Façade installation works	7 years	60 days	Cheque	11,004	7.6
Total							83,496	57.5

BUSINESS

For the year ended 31 December 2017

Ranking	Subcontractor	Background and principal business	Services provided	Length of business relationship	Credit term	Payment method	Subcontracting charges	Percentage of total subcontracting charges
							<i>HK\$'000</i>	<i>%</i>
1	Subcontractor A	A company engaging in façade installation works business located in Hong Kong	Façade installation works	11 years	30 days	Cheque	29,993	21.5
2	Subcontractor C	A company engaging in façade installation works business located in Hong Kong	Façade installation works	7 years	45 days	Cheque	18,630	13.3
3	Subcontractor B	A company engaging in fabrication of steel and aluminium works located in Hong Kong	Fabrication of steel and aluminium works	18 years	30 days	Cheque	13,259	9.5
4	Subcontractor F	A company engaging in façade installation works business located in Hong Kong	Façade installation works	8 years	30 days	Cheque	13,061	9.4
5	Subcontractor D	A company engaging in façade installation works business located in Hong Kong	Façade installation works	4 years	60 days	Cheque	9,930	7.1
Total							84,873	60.8

BUSINESS

For the year ended 31 December 2018

Ranking	Subcontractor	Background and principal business	Services provided	Length of business relationship	Credit term	Payment method	Subcontracting charges	Percentage of total subcontracting charges
							<i>HK\$'000</i>	<i>%</i>
1	Subcontractor A	A company engaging in façade installation works business located in Hong Kong	Façade installation works	11 years	30 days	Cheque	16,120	14.7
2	Subcontractor C	A company engaging in façade installation works business located in Hong Kong	Façade installation works	7 years	45 days	Cheque	13,378	12.2
3	Subcontractor F	A company engaging in façade installation works business located in Hong Kong	Façade installation works	8 years	30 days	Cheque	12,157	11.1
4	Subcontractor B	A company engaging in fabrication of steel and aluminium works located in Hong Kong	Fabrication of steel and aluminium works	18 years	30 days	Cheque	11,743	10.7
5	Subcontractor G	A company engaging in façade installation works business located in Hong Kong	Façade installation works	8 years	30 days	Cheque	8,237	7.5
Total							61,635	56.2

BUSINESS

For the four months ended 30 April 2019

Ranking	Subcontractor	Background and principal business	Services provided	Length of business relationship	Credit term	Payment method	Subcontracting charges	Percentage of total subcontracting charges
							<i>HK\$'000</i>	<i>%</i>
1	Subcontractor F	A company engaging in façade installation works business located in Hong Kong	Façade installation works	8 years	30 days	Cheque	6,342	18.2
2	Subcontractor A	A company engaging in façade installation works business located in Hong Kong	Façade installation works	11 years	30 days	Cheque	3,938	11.3
3	Subcontractor B	A company engaging in fabrication of steel and aluminium works located in Hong Kong	Fabrication of steel and aluminium works	18 years	30 days	Cheque	3,175	9.1
4	Subcontractor C	A company engaging in façade installation works business located in Hong Kong	Façade installation works	7 years	45 days	Cheque	2,358	6.7
5	Subcontractor H	A company engaging in façade installation works business located in Hong Kong	Façade installation works	9 years	30 days	Cheque	2,064	5.9
Total							17,877	51.2

Salient subcontracting terms

We generally engage subcontractors on a project-by-project basis and after the contracts with our customers are confirmed. We have not entered into any long-term subcontracting agreement with our subcontractors. According to the Ipsos Report, such arrangement is in line with the industry practice in Hong Kong. The terms of each subcontracting contract may vary. The salient terms of a typical subcontracting contract are summarised below:

Scope of works : The scope of works to be carried out by the subcontractor is specified in the subcontracting contract.

BUSINESS

- Payment terms : We generally make progress payments to our subcontractors.
- Retention money : We are generally entitled to withhold 10% of each progress payment up to a maximum of 5% of the total subcontracting charges as retention money, half of which will be released upon practical completion of the project and the remaining half will be released after expiry of the defects liability period.

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

Control on subcontractors

We form a project management team to oversee each of our projects, and assign a project manager for the supervision of the quality and progress of our work. We regularly conduct on-site inspection of the factories of our subcontractors which we engage for fabrication works to ensure that their work quality is satisfactory. For façade installation works performed by our subcontractors, we assign our site supervisors to conduct on-site supervision in order to ensure that the work quality and progress is satisfactory. The site supervisor conducts interim inspection at different phases during the project execution stage. If any defect or problem is identified, we will instruct our subcontractors to rectify it. For BMU system works, each newly installed BMU system will undergo a testing and commission procedure before it is put into use. During the procedure, an independent registered professional engineer will conduct inspection to ensure that the BMU system meets the relevant safety requirements and issue a certificate in accordance with the relevant laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage or delay in relation to the supply of goods or services from our subcontractors which materially or adversely affected our operations and financial conditions.

Credit policy

During the Track Record Period, we generally settled payments to our suppliers and subcontractors by cheques, bank transfers or letters of credit. The credit period granted to us by our suppliers and subcontractors ranged from nil to 60 days.

BUSINESS

SALES AND MARKETING

We maintain good working relationships with our existing customers through proven past and ongoing projects. We typically secure new businesses through direct invitation for tendering by our existing customers or potential customers.

We currently do not maintain a sales and marketing team. We believe our proven track record and ability to deliver services at satisfactory quality level could help us to retain our existing customers and attract new customers. As such, we did not conduct any marketing or promotional activity during the Track Record Period.

MARKET AND COMPETITION

According to the Ipsos Report, the façade works industry and the BMU system works industry in Hong Kong are both mature and dominated by top tier market players. There are approximately 30 to 40 major market players in the façade works industry and approximately 15 active market players in the BMU system works industry. We ranked (i) eighth among the top 10 design and build solution service providers for façade works in Hong Kong in 2018 in terms of revenue with a market share of approximately 4.7%; and (ii) ranked first among the top five design and build solution service providers for BMU system works in Hong Kong in 2018 in terms of revenue with a market share of approximately 49.9%.

According to the Ipsos Report, the gross output value of the façade works industry and the BMU system works industry are expected to grow from approximately HK\$6,011.5 million and HK\$411.8 million in 2019 to approximately HK\$7,049.3 million and HK\$506.7 million in 2023, at a CAGR of approximately 4.1% and 5.3%, respectively. The future growth in the façade works industry is expected to be driven by large-scale public infrastructure projects and the increase of land supply for public and private residential buildings, while the future growth in the BMU system works industry is expected to be driven by the increase of land sales for residential, office and commercial buildings.

For further information regarding the competitive landscape of the industry in which we operate, please refer to the section headed “Industry overview” in this prospectus.

HEDGING

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any hedging activity.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activity nor incurred any research and development expenses.

BUSINESS

QUALITY CONTROL

Our business is operated under a set of procedures that complies with the ISO 9001:2015 quality standard. We hold the following quality management certifications:

<u>Company</u>	<u>Certification</u>	<u>Original Certificate Date</u>	<u>Expiry Date</u>
Acme Metal	ISO 9001:2015	27 April 2010	25 February 2020
Acme Gondola	ISO 9001:2015	18 May 2018	17 May 2021

For each project, we typically form a project management team led by a project manager who is responsible for the overall quality control of our work. We have internal rules that our staff are required to follow in order to ensure our work quality.

Depending on the requirements of our customers, we may arrange for independent laboratories to conduct performance testing of the façade systems developed by us in respect of air infiltration, water penetration, and/or other aspects so as to ensure that they meet our customers' requirements.

For our quality control measures on our subcontractors, please refer to the paragraph headed "Subcontractors – Control on subcontractors" in this section.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors and senior management are responsible for the formulation of and overseeing the implementation and effectiveness of our internal control and risk management systems, which are designed to ensure our ongoing compliance with the applicable laws, regulations and rules relevant to our business operations and/or corporate governance, and to prevent any recurrence of any incidents of non-compliance. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness. We will adopt or have adopted the following internal control measures:

- (a) we have established an audit committee which comprises all our independent non-executive Directors with written terms of reference in accordance with Appendix 14 of the Listing Rules. The primary duties of the audit committee include, among other things, overseeing our financial reporting, internal control and risk management systems, and ensuring the compliance of our financial reporting with the Listing Rules and relevant legal requirements;
- (b) we have appointed Dongxing Securities as our compliance adviser with effect from the Listing Date to advise us on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong;

BUSINESS

- (c) our Directors have attended trainings provided by our legal advisers as to Hong Kong law on the ongoing obligations, duties and responsibilities of being a director of a publicly listed company under the Companies Ordinance and the Listing Rules; and
- (d) we will appoint a Hong Kong law firm upon Listing as our external Hong Kong legal advisers to advise us on compliance with the Listing Rules and the applicable Hong Kong laws and regulations.

In preparation for the Listing, we engaged an independent internal control consultant (the “**Internal Control Consultant**”) to conduct an internal control review of our Group between 16 August 2018 and 24 August 2018 and follow-up reviews between 22 October 2018 and 9 November 2018 and between 2 January 2019 and 11 January 2019 and between 10 June 2019 and 14 June 2019. Following such reviews, the Internal Control Consultant has provided us with a number of recommendations, which we will adopt or have adopted in full. The major recommendations that we have adopted are set out as follows:

1. We have adopted written policies and procedures in relation to corporate governance and compliance with relevant requirements under the Listing Rules.
2. We have adopted written policies and procedures for key areas of financial management, including but not limited to revenue management, cash management, fixed assets management, expenditure management, budget management and human resources and payroll management.
3. We have adopted written policies and procedures in relation to key areas of operational processes, including but not limited to tendering management, sourcing and procurement management, subcontracting management, licences management and occupational health and safety management.

Investment management

We place great emphasis on maintaining a strong liquidity position to ensure sufficient working capital for our daily operation. From time to time, we may have more liquidity than is immediately needed for our daily operation according to our project schedules. To better utilise our cash surplus, we may invest them to earn low-risk returns, having considered (i) the working capital needs of our projects on hand; (ii) our liquidity position; and (iii) whether the investment is prudent and low-risk. For example, we may deposit our cash surplus with the banks as short term time deposits to earn higher interest income.

BUSINESS

In or around 2016, there was discussion in the public about the cancellation of the MPF offsetting mechanism. Our Directors considered that we would face certain financial impact due to the extra contribution that we would be required to make if the MPF offsetting mechanism was cancelled and that we should take appropriate measures to mitigate such impact. During the year ended 31 December 2016, we used our cash surplus to purchase certain listed equity securities as part of our investment strategy to earn low-risk returns and to use the dividend income generated from such investments (but not the principal amount) to cover extra contribution in anticipation of the government's move to cancel the MPF offsetting mechanism. As at 31 December 2016, 2017 and 2018 and 30 April 2019, we had financial assets at fair value through other comprehensive income of HK\$24.3 million, HK\$33.1 million, HK\$28.3 million and HK\$30.3 million, respectively. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, we recorded an increase in fair value of such investments of HK\$3.5 million, an increase in fair value of HK\$7.2 million, a decrease in fair value of HK\$6.5 million and an increase in fair value of HK\$1.3 million, respectively, all of which were recognised in our consolidated statements of comprehensive income and had no impact on our profit for the respective periods. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, we also recognised dividend income from such investments in the amount of HK\$1.5 million, HK\$1.6 million, HK\$1.7 million and HK\$0.7 million, respectively, and a majority of the dividends received during the Track Record Period were reinvested in the same listed securities for future growth. Based on the employment status of our staff as at 30 April 2019, it is estimated that we would be required to make an extra contribution of approximately HK\$6.4 million in the event that the MPF offsetting mechanism is cancelled, and the amount of such extra contribution may increase when more staff become eligible for long service payment in the future. As such extra contribution is not yet fully covered by the abovementioned dividend income of approximately HK\$5.5 million as recognised up to 30 April 2019, we will continue with our investment strategy to earn low-risk returns from such investments to mitigate the impact of such extra contribution. We currently have no intention to increase such investments and we will regularly review our investment strategy to ensure such investments will not deviate from the abovementioned purpose. For further details of the financial assets at fair value through other comprehensive income, please refer to the section headed "Financial information – Description of certain items in our consolidated statements of financial position – Financial assets at fair value through other comprehensive income" in this prospectus.

Investment policy

We have adopted an investment policy to ensure proper acquiring, monitoring and exit of our investments. Under this policy, any proposed investments have to be discussed in the meetings of our Board and details of such proposal are required to be documented properly in the minutes of the meeting. Any proposed investments with transaction amount not exceeding HK\$5.0 million shall be reviewed by our executive Directors together with our chief financial officer, Mr. Lung Shei Kei, who is a member of the Hong Kong Institute of Certified Public Accountants with 11 years of experience in providing accounting and financial advice. Any proposed investments with transaction amount exceeding HK\$5.0 million shall be approved by our Board (including our independent non-executive Directors) together with our chief financial officer. As part of the approval process of our investments, our Board reviews and assesses, among other factors, (i) the expected returns of the investments with similar investments in the market; (ii) the track record of the relevant issuers, if applicable; and (iii) the principal amount and the track record of the relevant issuers and similar investments in the market. At any given time after Listing, the investment cost of our investments shall not exceed HK\$25.0 million.

Under this policy, our independent non-executive Directors, namely Mr. Keung Kwok Hung, Mr. Tse Wai Kit and Prof. Lau Chi Pang, J.P., are responsible for (i) overseeing our investment activities; (ii) conducting periodic review on our investments and report to our Board; (iii) setting out the long-term and short-term investment goals; and (iv) reviewing and updating our investment policy. Mr. Keung has over 20 years of experience in accounting and financial management. For further details of the biographies of our independent non-executive Directors, please refer to the section headed “Directors and senior management – Independent non-executive Directors” in this prospectus.

Our chief financial officer is responsible for (i) monitoring of our investments on a continual basis; (ii) preparing a quarterly investment report and investment return analysis on our investments, which must be prepared in clear and understandable terms containing both quantitative and qualitative information, for our Board’s review; and (iii) reporting to our Board when any of the following events occur:

- (i) the market value of an investment drops by 15% of its total investment cost; or
- (ii) material downgrade of our investments.

Before the exit of our investments, our chief financial officer is required to submit the application to our Board for review and approval.

OCCUPATIONAL HEALTH AND SAFETY CONTROL**Occupational health and safety control measures**

We have internal rules in relation to occupational health and safety that our staff are required to comply with. Before execution of a project, we conduct safety risks analysis and prepare an execution plan that is designed to minimise the identified safety risks. We assign site supervisors to monitor the implementation of safety measures at the work sites. Our employees as well as those of our subcontractors, are required to attend a construction industry safety training session on occupational health and safety regulations at the construction site and obtain the training certificate before entering the construction site. We provide safety equipment to our employees to minimise the risk of injuries. In addition, we provide our employees with on-the-job training to enhance their awareness of work safety.

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

Although we have implemented safety control measures to mitigate accident risks, the occurrence of accidents at construction sites cannot be completely eliminated due to the work nature in the construction industry. For the three years ended 31 December 2018 and the four months ended 30 April 2019 and the subsequent period up to the Latest Practicable Date, we recorded seven, 10, five, one and two accident(s), respectively, which gave rise or may give rise to potential employees' compensation and personal injury claims.

The following table sets forth the nature of such accidents:

Nature of accident	Number of accidents
Slipped, tripped or fell on same level	5
Fell from height	8
Cut, pinched or struck by object	11
Injury to eye	1
Total:	25

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

BUSINESS

Save as disclosed above, we did not experience any significant accidents in relation to workers' safety during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that the damages and liabilities arising from these accidents that happened during the Track Record Period and up to the Latest Practicable Date are covered by employee compensation insurance taken out for the relevant construction projects. For further details on outstanding litigations and potential claims relating to personal injuries claims under the Employees' Compensation Ordinance or the common law, please refer to the paragraph headed "Litigation and potential claims" in this section.

Analysis on accident rate

The following table sets out a comparison of the industrial accident rate and the industrial fatality rate in the construction industry in Hong Kong between us and the industry average during the Track Record Period:

	Industry average in Hong Kong	Our Group
	<i>(Note 1)</i>	<i>(Note 2)</i>
Year ended 31 December 2016		
Accident rate per 1,000 workers	34.5	23.1
Fatality rate per 1,000 workers	0.093	Nil
Year ended 31 December 2017		
Accident rate per 1,000 workers	32.9	30.6
Fatality rate per 1,000 workers	0.185	Nil
Year ended 31 December 2018		
Accident rate per 1,000 workers	31.7	18.1
Fatality rate per 1,000 workers	0.125	Nil

Notes:

1. The figures are based on the Occupational Safety and Health Statistics Bulletin No. 19 (August 2019) published by Occupational Safety and Health Branch, Labour Department.
2. Our accident rate is calculated as the number of industrial accidents during the year/period divided by the daily average number of our employees and our subcontractors' employees during the year/period and multiplied by 1,000.

BUSINESS

The following table sets forth our lost time injuries frequency rate (“**LTIFR**”)^(Notes) during the Track Record Period:

For the year ended 31 December 2016	12.7
For the year ended 31 December 2017	16.8
For the year ended 31 December 2018	10.7

Notes:

1. Lost time injury is an injury arising out of and during the course of employment, which results in the loss of one or more working days other than the date of accident. LTIFR is a frequency rate that shows the amount of lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by using the number of lost time injuries, divided by the total labour hours worked per year and multiplied by 1,000,000, assuming that the working hour of each worker is 8 hours per day.
2. Our Directors confirm that there is no public information in relation to the average LTIFRs of the construction industry in Hong Kong.

ENVIRONMENTAL COMPLIANCE

Environmental compliance measures

Our operations are subject to certain environmental requirements pursuant to laws in Hong Kong. For further details of the regulatory requirements, please refer to the section headed “Regulatory overview – Environmental protections” in this prospectus.

Track record in relation to environmental compliance

During the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable laws and regulations relevant to environmental protection in all material aspects.

INSURANCE

During the Track Record Period and as at the Latest Practicable Date, we maintained insurance policies that covered, amongst other matters, contractors’ all risks, employees’ compensation, fire, transportation, and damage of office premises. Our Directors consider that the existing insurance coverage is adequate and consistent with the industry norm having regard to our current operations and the prevailing industry practice.

During the Track Record Period and up to the Latest Practicable Date, we had been involved in a number of claims. The amount claimed were fully covered by our insurance. For further details, see the paragraph headed “Litigation and potential claims” in this section.

BUSINESS

EMPLOYEES

Number of employees by function

As at 31 December 2016, 2017 and 2018, 30 April 2019 and the Latest Practicable Date, we had a total of 102, 101, 117, 111 and 122 employees, respectively. All of our employees of are stationed in Hong Kong. The following table sets forth a breakdown of the number of our employees by function:

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 30 April 2019	As at the Latest Practicable Date
Director	3	3	3	3	3
Project management and supervision	52	52	52	54	59
Design and engineering	12	10	15	15	15
Quantity surveying	4	4	5	4	5
Technicians and other workers	14	15	23	17	21
Accounting, financing and administration	17	17	19	18	19
Total	102	101	117	111	122

Relationship with staff

Our Directors consider that we have maintained a good relationship with our employees. Our Directors confirm that we have complied with all applicable labour laws and regulations in all material aspects.

Our Directors confirm that we had not experienced any significant disputes with our employees or any disruption to our operations due to labour disputes nor had we experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by our employees.

BUSINESS

Recruitment policy

We recruit our employees from the open market mainly through recruitment advertisements, recruitment agencies and referrals. We intend to use our best efforts to attract and retain appropriate and suitable personnel. We assess the available human resources on a continual basis and will determine whether additional personnel are required to cope with our business development.

Training and remuneration policy

We enter into separate employment contracts with each of our employees. The remuneration package offered to our employees generally include basic salaries and bonuses. We determine the salary of our employees based on various factors, such as their qualifications, relevant experience, position and seniority. We conduct an annual review on salary increase, discretionary bonuses and promotions based on various factors, such as performance of the employee, Hong Kong's economy and our financial performance.

We provide our employees with on-the-job training from time to time. For details, please refer to the paragraph headed "Occupational health and safety control" in this section.

PROPERTIES

Owned property

As at the Latest Practicable Date, we did not own any property.

Leased properties

As at the Latest Practicable Date, we leased the following properties:

<u>Properties</u>	<u>Usage</u>	<u>Saleable area</u>	<u>Monthly rental</u>	<u>Term</u>	<u>Landlord</u>
		<i>(approximate)</i> <i>(sq.ft.)</i>			
Units A & B on 12/F, Yin Da Commercial Building, No. 181 Wai Yip Street, Kowloon, Hong Kong	Office	8,100 ^(Note 1)	HK\$113,900 (inclusive of rates, government rent, management fees but exclusive of other out-goings)	1 July 2018 to 31 December 2020	An Independent Third Party

BUSINESS

Properties	Usage	Saleable area (approximate) (sq.ft.)	Monthly rental	Term	Landlord
Unit A2 on 13/F, Yin Da Commercial Building, No. 181 Wai Yip Street, Kowloon, Hong Kong	Office	2,200 ^(Note 1)	HK\$31,300 (inclusive of rates, government rent, management fees but exclusive of other out-goings)	16 October 2018 to 31 December 2020	An Independent Third Party
8/F, Block A, Wai Yip Industrial Building, No. 171 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	Warehouse	3,780	HK\$40,000 (exclusive of rates, government rent, management fees and other out-goings)	27 September 2018 to 26 September 2020	Hope Harvest ^(Note 2)

Notes:

- Based on our estimation with reference to publicly available information.
- Hope Harvest is owned as to 37.5% by Mr. Kwan, our executive Director and Controlling Shareholder, 37.5% by Mr. Mak, our executive Director and Controlling Shareholder, and 25% by Mr. Pong, who resigned as a director of Acme Metal on 31 January 2019, respectively. The rent payable by Acme Metal to Hope Harvest under the relevant tenancy agreement was determined on an arm's length basis with reference to the prevailing market conditions and the prevailing market rent for similar properties in the vicinity at the relevant time. For further details, please refer to "Accountant's Report – Notes to the historical financial information – 31. Related party transactions" in Appendix I to this prospectus.

LICENCES AND PERMITS

As at the Latest Practicable Date, we had obtained the following licences:

Licence	Holder	Issuing authority	Type of works covered	Expiry date
Registered Subcontractor	Acme Metal	Construction Industry Council	(i) Aluminium window/louvres; (ii) curtain wall/glass wall; (iii) metal work; (iv) metal roof, skylight, cladding, space frame; and (v) glazier work	11 September 2023

BUSINESS

<u>Licence</u>	<u>Holder</u>	<u>Issuing authority</u>	<u>Type of works covered</u>	<u>Expiry date</u>
Registered Subcontractor	Acme Gondola	Construction Industry Council	(i) General mechanical fitting; and (ii) building maintenance unit	23 June 2023
Registered Minor Works Contractor ^(Note 1)	Acme Metal	Buildings Department	Class III minor works ^(Note 2)	26 September 2021
Registered Electrical Contractor ^(Note 3)	Acme Gondola	Electrical and Mechanical Services Department	Electrical work	10 May 2021

Notes:

1. Acme Metal is required under the relevant laws and regulations to appoint at least one authorised signatory and one technical director in order to qualify as a registered minor works contractor. As at the Latest Practicable Date, Mr. Mak was the authorised signatory and technical director of Acme Metal in this connection.
2. Under the Minor Works Control System of the Buildings Department, minor works are classified into three classes according to their scale, complexity and risk to safety and are subject to different degrees of control. Class III minor works are mainly common household minor works.
3. Acme Gondola is required under the relevant laws and regulations to employ at least one registered electrical worker in order to qualify as a registered electrical contractor. As at the Latest Practicable Date, Acme Gondola had five employees who were registered electrical workers in this connection.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had obtained all necessary licences, approvals, permits and registration required for carrying on our business operations in Hong Kong.

AWARDS AND RECOGNITION

We have received numerous awards and recognition for our performance. The following table sets forth some of the awards and recognition that we have received:

<u>Year of award</u>	<u>Award/Recognition</u>	<u>Awarding Organisation</u>
2004	The Best Safety Performance Subcontractor of the Second Quarter 2004	Chun Fai Construction Company Limited
2005	Outstanding Performance Subcontractor (Aluminium Windows) of 2004	E Man Construction Company Limited

BUSINESS

<u>Year of award</u>	<u>Award/Recognition</u>	<u>Awarding Organisation</u>
2007	Outstanding Performance Subcontractor (Aluminium Windows)	E Man Construction Company Limited
2008	The Best Safety Performance Subcontractor of March 2008	Yee Fai Construction Company Limited
2011	Good Performance Subcontractor (Façade)	E Man Construction Company Limited
2012	The Best Safety Subcontractor of February, April and May 2012	Yee Fai Shun Tak Construction JV Company Limited
2013	The Best Safety Management Subcontractor of November 2013	Hip Hing Engineering Company Limited and Hip Hing Construction Company Limited
	The Best Safety Performance Subcontractor of September 2013	Maxrise Construction Engineering Limited
2015	Quality Contractor (Windows)	Hong Kong Professional Building Inspection Academy
2017	Quality Contractor of the Year (Windows)	New World Construction Company Limited
	Good Safety Performance Subcontractor	Sanfield Building Contractors Limited
2017	Quality Contractor (Windows)	Hong Kong Professional Building Inspection Academy
2018	Quality Contractor (Windows)	Hong Kong Professional Building Inspection Academy
2019	Quality Contractor (Windows)	Hong Kong Professional Building Inspection Academy

BUSINESS

INTELLECTUAL PROPERTY RIGHTS

Trademarks

As at the Latest Practicable Date, we had registered four trademarks in Hong Kong. For further details, please refer to section headed “Statutory and general information – B. Further information about our business – 2. Our intellectual property rights – (a) Trademarks” in Appendix IV to this prospectus.

Domain name

As at the Latest Practicable Date, we had registered one domain name which is material to our business, being www.acmehld.com. For further details, please refer to the section headed “Statutory and general information – B. Further information about our business – 2. Our intellectual property rights – (b) Domain name” in Appendix IV to this prospectus.

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, we recorded 25 personal injuries accidents. As at the Latest Practicable Date, to the best knowledge of our Directors, the claim(s) in respect of (i) 24 of these accidents were fully settled; and (ii) the remaining one accident was being handled or pending to be handled by the relevant insurance companies and no legal proceedings had been commenced against us. In personal injuries accidents, the injured persons may commence their claims under the Employees’ Compensation Ordinance within the limitation period of two years and/or under the common law within the limitation period of three years from the date of the relevant accidents. It is expected that the claim in respect of the latter one accident would be fully covered by the insurance maintained either by us or the relevant main contractor.

No other litigation

Save as disclosed above, as at the Latest Practicable Date, 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 is known to our Directors to be pending or threatened against any member of our Group.

NON-COMPLIANCE

Our Directors confirm that, save as the non-compliance disclosed below, we have complied with all applicable laws and regulations in Hong Kong, being the principal jurisdiction in which we operate, during the Track record Period and up to the Latest Practicable Date in all material aspects.

BUSINESS

Failure to file notification forms with the Inland Revenue Department within the prescribed time limit

<u>Background of the non-compliance</u>	<u>Name of subsidiaries involved</u>	<u>Reason for the non-compliance</u>	<u>Legal consequences and maximum potential penalty</u>	<u>Remedial actions taken and current status as at the Latest Practicable Date</u>	<u>Enhanced internal control measures to prevent recurrence of non-compliance</u>
<p>During the Track Record Period, we failed to file (i) Form 56B for 27 employees; (ii) Form 56E for 91 employees; and (iii) Form 56F for 112 employees within the prescribed time limit under section 52 of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong).</p>	<p>Acme Metal and Acme Gondola</p>	<p>The late filing for Form 56B and Form 56E were due to inadvertent mistake and oversight by our human resources staff in charge of the matter.</p> <p>The late filing for Form 56F was due to the high turnover rate of the construction industry and it is not the common practice for employees to give one month notice in advance of the cessation of their employment.</p>	<p>The maximum penalty is a fine of HK\$10,000 for each offence. During the Track Record Period and up to the Latest Practicable Date, we had not been prosecuted or penalised for the non-compliance. As advised by the Legal Counsel, taking into account the Penalty Policy of the Inland Revenue Department, it is very unlikely that we would be prosecuted for the non-compliance and that, even if prosecuted and convicted, it is extremely unlikely that we would be imposed a maximum fine. As such, we consider that the financial impact of the non-compliance on our Group is insignificant and we have not made any provision.</p>	<p>In March and July 2019, we filed all the relevant Forms to the Inland Revenue Department and informed them in writing about the non-compliance. As at the Latest Practicable Date, we had not received any response from the Inland Revenue Department.</p>	<p>We have maintained a control list to monitor the status of commencement and cessation of employment of our employees, which we will review and update on a monthly basis, so as to ensure compliance with the relevant filing requirements.</p>

BUSINESS

Views of our Directors and the Sole Sponsor

Taking into account the follow-up reviews performed by the Internal Control Consultant, our Directors are of the view, and the Sole Sponsor concurs, that our internal control measures are adequate and effective to reduce the risk of recurrence of the non-compliance.

Indemnity given by the Controlling Shareholders

In relation to the aforesaid, our Controlling Shareholders have undertaken to indemnify our Group against all losses and liabilities arising from the above legal proceedings and material non-compliances. Please refer to the section headed “Statutory and general information – G. Other information – 1. Tax and other indemnities” in Appendix IV to this prospectus for further details.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options or any options which may be granted under the Share Option Scheme), our Company will be owned as to (i) 37.5% by RR, which is wholly owned by Mr. Kwan; and (ii) 37.5% by SV, which is wholly owned by Mr. Mak. Accordingly, RR, Mr. Kwan, SV and Mr. Mak will be regarded as our Controlling Shareholders upon Listing. For the background and relevant industry experience of Mr. Kwan and Mr. Mak, please refer to the section headed “Directors and senior management” in this prospectus.

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates (other than members of our Group) not to, directly or indirectly, participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses. Please refer to the paragraph headed “Non-competition undertaking” in this section for further details.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our business independently from, and without undue reliance on, our Controlling Shareholders and their respective close associates after Listing based on the following reasons:

Management independence

The main functions of our Board include the approval of our overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Group.

Our Board comprises three executive Directors and three independent non-executive Directors. Save and except for two of our executive Directors, namely Mr. Kwan and Mr. Mak who are our Controlling Shareholders, our Board comprises a balanced composition of independent non-executive Directors who can exercise independent judgement. We believe the three independent non-executive Directors are able to provide sufficient checks and balances in transactions involving any actual or potential conflict of interests and to protect the interest of our independent Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Further, 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 interests. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transaction and shall not be counted in the quorum.

Our Board is also supported by a team of senior management with substantial experience and expertise in the implementation our Group's policies and strategies. Our daily operations are managed by our senior management team independently. For the background of our senior management team, please refer to the section headed "Directors and senior management" in this prospectus.

Based on the above, our Directors believe that we are able to manage our business independently from our Controlling Shareholders and their respective close associates after Listing.

Operational independence

We have our own organisational structure with independent departments, each with specific areas of responsibility. We have our own administration, finance and human resources and other systems and teams which have been operating and are expected to continue to operate separately from our Controlling Shareholders and their respective associates. We also maintain a set of comprehensive internal control measures to facilitate the effective operation of our business.

We have independent access to our customers and suppliers and are also in possession of all relevant licences necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders.

Although we have entered into certain continuing related party transactions which will continue after Listing, such transactions have been entered into and will continue to be entered into on normal commercial terms and in the ordinary course of business of our Company. Please refer to "Accountant's Report – Notes to the historical financial information – 31. Related party transactions" in Appendix I to this prospectus for further detail.

Based on the above, our Directors believe that we are able to operate independently from our Controlling Shareholders and their respective close associates after Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial independence

All loans, advances and balances due from our Controlling Shareholders and their respective close associates will be fully settled or repaid before Listing and all loans, advances and balances due to our Controlling Shareholders will be fully settled or repaid before Listing. All share pledges and guarantees provided by or to our Controlling Shareholders and their respective close associates on our Group's borrowing had been fully released or will be fully released upon Listing. Accordingly, we will not rely on any guarantees provided by our Controlling Shareholders or their respective close associates upon Listing. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders and/or their respective close associates.

In addition, we have our own accounting systems, accounting and finance personnel, independent treasury function for cash receipts and payments and we make financial decisions according to our own business needs.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates after Listing.

NON-COMPETITION UNDERTAKING

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-competition that it/he will not, and will use its/his best efforts to procure its/his close associates (other than members of our Group) not to, directly or indirectly, participate or engage in or develop any business which competes, or may compete, with our business (the "**Restricted Business**").

Further, under the Deed of Non-competition, each of our Controlling Shareholders has also undertaken that to the extent permissible by applicable laws and regulations, if any business investment or any business opportunities relating to, engaging in or owning the Restricted Business (the "**Competing Business Opportunity**") is identified by or made available to it/him or any of its/his close associates (other than us), it/he shall, and shall use its/his best efforts to procure that its/his close associates to, refer such Competing Business Opportunity to us on a timely basis and in the following manner:

- (a) each of our Controlling Shareholders shall, and shall use its/his best efforts to procure that its/his close associates (other than us) to, refer the Competing Business Opportunity to us for consideration by giving written notice (the "**Offer Notice**") within ten days from the initial date of receipt of such Competing Business Opportunity, and such Offer Notice shall include all relevant information of the Competing Business Opportunity (including but not limited to the nature of the Competing Business Opportunity and the related investment or acquisition costs) which are reasonably necessary for us to make an informed assessment whether to pursue such Competing Business Opportunity;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) each of our Controlling Shareholders shall, and shall use its/his best efforts to procure its/his close associates (other than us) to ensure that such Competing Business Opportunity is first offered to us on terms that are fair and reasonable and no less favourable than those terms first offered to our Controlling Shareholder and/or its/his close associates (other than us);
- (c) upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only independent non-executive Directors) which has no actual or potential interest in the Competing Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);
- (d) the Independent Board will be responsible for reviewing and considering whether or not to take up the Competing Business Opportunity, or whether or not the Competing Business Opportunity constitutes Restricted Business, and in considering whether to pursue the Competing Business Opportunity offered, the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business and whether the Competing Business Opportunity is in line with the overall interest of our Company and its Shareholders as a whole;
- (e) our Controlling Shareholders shall not, and shall use its/his best efforts to procure its/his close associates (other than us) shall not, engage, participate or hold any right or interest in any Competing Business Opportunity unless such Competing Business Opportunity shall have been rejected by us;
- (f) each of our Controlling Shareholder may only engage in such Competing Business Opportunity if he/it has received a notice from us confirming that such Competing Business Opportunity is not accepted and/or does not constitute a Restricted Business or if he/it does not receive any Non-acceptance Notice from us within 30 days after the date of receipt of the Offer Notice; and
- (g) if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholder or its/his close associates (other than us), our Controlling Shareholder shall, and shall use its/his best efforts to procure its/his close associates (other than us) to, refer such revised Competing Business Opportunity to us as if it were a new Competing Business Opportunity.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Pursuant to the Deed of Non-competition, each of our Controlling Shareholders shall, and shall use its/his best efforts to procure its/his close associates (other than us) to, grant us an option to purchase any equity interest, assets or other interests which form part of any Competing Business Opportunity not taken up by us but has been retained by our Controlling Shareholder or its/his close associates (other than us).

Further, each of our Controlling Shareholders shall, and shall use its/his best efforts to, procure its/his close associates (other than us), to grant or make available to us the pre-emptive right for any transfer, sale, lease, licence, grant of right to any Competing Business not taken up by us but has been retained by our Controlling Shareholders or its/his close associates (other than us), on the same terms as and before the offer of such transfer, sale, lease, licence or grant to any third party.

Each of our Controlling Shareholders has undertaken to provide and will use its/his best efforts to procure its/his close associates to provide us (including our independent non-executive Directors) with all information necessary for our annual review and the enforcement of all undertakings, representations and warranties contained in the Deed of Non-competition and for us to consider whether to exercise our right in respect of the Competing Business Opportunity.

The non-competition undertakings given by a Controlling Shareholder under the Deed of Non-competition will terminate automatically if (i) such Controlling Shareholder and/or his/its close associates, individually or taken as a whole, ceases to hold, whether directly or indirectly, at least 30% (or such other percentage as constituting a controlling shareholder under the Listing Rules and applicable requirements from time to time) of our Shares; or (ii) our Shares cease to be listed on the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

In order to promote good corporate governance practices and to improve transparency, we intend to adopt the following corporate governance measures to manage any potential conflicts of interest arising from any future potential competing business and to safeguard the interests of our Shareholders:

- (a) our independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-competition by our Controlling Shareholders;
- (b) we will disclose, to the extent permissible by applicable laws and regulations, the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-competition in accordance with the principle of voluntary disclosure in the corporate governance report;
- (d) in the event that any of our Directors and/or his/her close associates has material interests in any matter to be deliberated by our Board, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association; and
- (e) we have appointed Dongxing Securities as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of six Directors, comprising three executive Directors and three independent non-executive Directors.

The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our periodic financial budgets and reports, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by our Articles of Association. We have entered into a service contract with each of our executive Directors. We have also entered into a letter of appointment with each of our independent non-executive Directors.

The table below shows certain information with respect to our Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Date of appointment as Director</u>	<u>Roles/ Responsibilities</u>
Mr. Kwan Kam Tim (關錦添)	64	Chairman and executive Director	8 December 1989	19 February 2019	Formulating overall business strategies of our Group; overseeing our Board
Mr. Mak Kim Hung (麥劍雄)	59	Chief executive officer and executive Director	8 December 1989	17 August 2018	Managing the day-to-day operations and business development of our Group
Ms. Leung Ng Mui May (梁五妹)	58	Executive Director	1 June 1996	5 March 2019	Supervising and managing the overall financial reporting, accounting operations and financial control matters of our Group

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles/ Responsibilities
Mr. Keung Kwok Hung (姜國雄)	47	Independent non-executive Director	18 October 2019	18 October 2019	Supervising and providing independent advice to our Board
Mr. Tse Wai Kit (謝偉傑)	58	Independent non-executive Director	18 October 2019	18 October 2019	Supervising and providing independent advice to our Board
Prof. Lau Chi Pang, J.P. (劉智鵬)	59	Independent non-executive Director	18 October 2019	18 October 2019	Supervising and providing independent advice to our Board

Executive Directors

Mr. Kwan Kam Tim (關錦添), aged 64, is the chairman of our Board and was appointed as our Director on 19 February 2019 and was re-designated as our executive Director on 14 March 2019. He is one of the founding shareholders of our Group and is primarily responsible for formulating overall business strategies of our Group and overseeing our Board. Mr. Kwan is a director of Acme Metal and Acme Gondola, our operating subsidiaries.

Mr. Kwan has over 38 years of experience in the construction industry in Hong Kong. From April 1978 to November 1989, Mr. Kwan was responsible for overseeing the tendering process and the overall management of a construction company in Hong Kong, which provided primarily design and build solutions for façade works. In December 1989, he co-founded Acme Metal with Mr. Mak, Mr. Pong and two other shareholders, and was appointed as the general manager of Acme Metal, responsible for the overall development and daily management of the operations of Acme Metal. Mr. Kwan was appointed as a director of Acme Metal in June 1998. He also co-founded Acme Gondola with Mr. Mak in January 2001 and has been a director of Acme Gondola since then.

Prior to joining us, Mr. Kwan worked as a fitter apprentice at Taikoo Dockyard & Engineering Company of Hong Kong Limited (subsequently known as the Hongkong United Dockyards Limited) from September 1972 to November 1976. From November 1976, he worked as a mechanic with DYMO (Hong Kong) Limited and was later promoted to production supervisor in July 1977 until February 1978.

Mr. Kwan obtained a certificate in mechanical engineering craft in July 1973 and a general certificate for the General Course in the preparation for admission to Technical Courses in July 1974 from The Morrison Hill Technical Institute.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Kwan was a director of the following companies prior to their respective dissolution:

Name of company	Nature of business prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution	Place of incorporation
Horse Rock Limited (騰固有限公司)	Aluminium manufacturing	15 March 2002	Striking off (Note 1)	Dormant	Hong Kong
Famous Firm Limited (譽固有限公司)	Aluminium manufacturing	9 May 2003	Striking off (Note 2)	Dormant	Hong Kong
City Health Limited (城康有限公司)	Trading	1 August 2003	Deregistration (Note 3)	Dormant	Hong Kong
Mega United Development Limited (大同發展有限公司)	Garment	1 August 2008	Deregistration (Note 4)	Dormant	Hong Kong
Kinling United Development Limited (堅寧發展有限公司)	Investment and trading	24 March 2016	Deregistration (Note 5)	Dormant	Hong Kong
Darkan Development Limited (大堅發展有限公司)	Import and export trading	2 December 2016	Deregistration (Note 6)	Dormant	Hong Kong
Acme Metal Works (International) Limited	Design and build solution for façade works	18 March 2019	Deregistration (Note 7)	Dormant	Macau
Acme Gondola Systems Limited	Design and build solution for BMU systems	18 March 2019	Deregistration (Note 8)	Dormant	Macau

Notes:

- (1) Horse Rock Limited was struck off pursuant to section 291 of the Predecessor Companies Ordinance and was solvent prior to its dissolution.
- (2) Famous Firm Limited was struck off pursuant to section 291 of the Predecessor Companies Ordinance and was solvent prior to its dissolution.
- (3) City Health Limited was deregistered pursuant to section 291AA of the Predecessor Companies Ordinance and was solvent prior to its dissolution.
- (4) Mega United Development Limited was deregistered pursuant to section 291AA of the Predecessor Companies Ordinance and was solvent prior to its dissolution.

DIRECTORS AND SENIOR MANAGEMENT

- (5) Kinling United Development Limited was deregistered pursuant to section 751 of the Companies Ordinance and was solvent prior to its dissolution.
- (6) Darkan Development Limited was deregistered pursuant to section 751 of the Companies Ordinance and was solvent prior to its dissolution.
- (7) Acme Metal Works (International) Limited (“**Acme Metal Macau**”) was deregistered pursuant to article 315 *et seqq.* of the Macau Commercial Code and was solvent prior to its dissolution. Please refer to the paragraph below in this sub-section for details of Acme Metal Macau.
- (8) Acme Gondola Systems Limited was deregistered pursuant to article 315 *et seqq.* of the Macau Commercial Code and was solvent prior to its dissolution. Please refer to the section headed “Financial information – Related party transactions – Transaction with Acme Gondola Systems Limited (“Acme Gondola Macau”)” for details of Acme Gondola Systems Limited.

Background of Acme Metal Macau

Acme Metal Macau was a company incorporated in Macau with limited liability on 29 January 2008 and owned as to 38% by Mr. Kwan, 37% by Mr. Mak and 25% by Mr. Pong immediately before its deregistration on 18 March 2019. The principal business of Acme Metal Macau was provision of metal works services in Macau. Based on the unaudited financial information of Acme Metal Macau, its revenue, gross profit, net profit/(loss) and net assets/(liabilities) for the years ended 31 December 2016, 2017 and 2018 are as follows:

	Year ended/As at 31 December		
	2016	2017	2018
	<i>MOP</i>	<i>MOP</i>	<i>MOP</i>
Revenue	–	–	–
Gross profit	–	–	–
Net profit/(loss)	(7,500)	(8,500)	(8,000)
Net assets/(liabilities) ^(Note 1)	(10,150)	(18,650)	(26,650)

Note:

1. The net liabilities recorded for the years ended 31 December 2016, 2017 and 2018 primarily arose from the amounts due to the directors of Acme Metal Macau.

Acme Metal Macau was not included into our Group because (i) during the Track Record Period, it had been inactive with no business operation; and (ii) Mr. Kwan and Mr. Mak decided to wind it up as (a) Mr. Kwan and Mr. Mak intended to focus on the development of our Group’s business in Hong Kong; and (b) Mr. Pong has already decided to retire and dispose of all his interests in our Group.

As confirmed by Mr. Kwan, Mr. Mak and Mr. Pong after making reasonable enquiries and based upon the results of the public searches conducted by their Macau legal counsel as well as the search report by an independent search agent against Acme Metal Macau, Acme Metal Macau was not subject to any material non-compliant incidents, claims, litigation or legal proceedings (whether actual or threatened) during the Track Record Period and up to the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Mak Kim Hung (麥劍雄), aged 59, is our chief executive officer and was appointed as our Director on 17 August 2018 and was re-designated as our executive Director on 14 March 2019. He is one of the founding shareholders of our Group and is primarily responsible for the overall management of day-to-day operations and business development of our Group. Mr. Mak is a director of Acme Metal and Acme Gondola, our operating subsidiaries.

Mr. Mak has over 33 years of experience in the construction industry in Hong Kong. From January 1985 to November 1989, Mr. Mak was responsible for overseeing the tendering process and supervising the daily operation of a construction company in Hong Kong, which provided primarily design and build solutions for façade works. In December 1989, Mr. Mak co-founded Acme Metal with Mr. Kwan, Mr. Pong and two other shareholders, and was appointed as a contract manager of Acme Metal, responsible for the overall development and daily operation of Acme Metal. Mr. Mak was appointed as a director of Acme Metal in June 1998. He also co-founded Acme Gondola with Mr. Kwan in January 2001 and has been a director of Acme Gondola since then.

Mr. Mak obtained a higher diploma in structural engineering from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1983.

Since 2015, Mr. Mak has been the vice president of Hong Kong Facade Association, where he has been a vice chairman of the financial auditing committee since 2015.

Mr. Mak was a director of the following companies prior to their respective dissolution:

<u>Name of company</u>	<u>Nature of business prior to dissolution</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>	<u>Reasons for dissolution</u>	<u>Place of incorporation</u>
Horse Rock Limited (騰固有限公司)	Aluminium manufacturing	15 March 2002	Striking off (Note 1)	Dormant	Hong Kong
Famous Firm Limited (譽固有限公司)	Aluminium manufacturing	9 May 2003	Striking off (Note 2)	Dormant	Hong Kong
Darkan Development Limited (大堅發展有限公司)	Import and export trading	2 December 2016	Deregistration (Note 3)	Dormant	Hong Kong
Acme Metal Works (International) Limited	Design and build solution for façade works	18 March 2019	Deregistration (Note 4)	Dormant	Macau
Acme Gondola Systems Limited	Design and build solution for BMU systems	18 March 2019	Deregistration (Note 5)	Dormant	Macau

DIRECTORS AND SENIOR MANAGEMENT

Notes:

- (1) Horse Rock Limited was struck off pursuant to section 291 of the Predecessor Companies Ordinance and was solvent prior to its dissolution.
- (2) Famous Firm Limited was struck off pursuant to section 291 of the Predecessor Companies Ordinance and was solvent prior to its dissolution.
- (3) Darkan Development Limited was deregistered pursuant to section 751 of the Companies Ordinance and was solvent prior to its dissolution.
- (4) Acme Metal Works (International) Limited was deregistered pursuant to article 315 *et seqq.* of the Macau Commercial Code and was solvent prior to its dissolution. Please refer to the information of Mr. Kwan's past directorship disclosed above in this sub-section for details of Acme Metal Macau.
- (5) Acme Gondola Systems Limited was deregistered pursuant to article 315 *et seqq.* of the Macau Commercial Code and was solvent prior to its dissolution. Please refer to the section headed "Financial information – Related party transactions – Transaction with Acme Gondola Systems Limited ("Acme Gondola Macau")" for details of Acme Gondola Systems Limited.

Ms. Leung Ng Mui May (梁五妹), aged 58, was appointed as our Director on 5 March 2019 and was re-designated as our executive Director on 14 March 2019. She is primarily responsible for supervising and managing the overall financial reporting, accounting operations and financial control matters of our Group. Ms. Leung joined our Group in June 1996 as an accountant and was promoted to chief accountant in May 2016.

Prior to joining us, Ms. Leung worked as an assistant stock-keeper for Centro-Sound Limited, a manufacturer of radio, from May 1976 to April 1981. From late 1982 to April 1988, Ms. Leung worked as a junior clerk at a Chinese medicine dispensary in Hong Kong, where she was responsible for inventory book keeping and stock keeping. From May 1988 to August 1988, she worked as an account clerk at a Chinese lantern retailer in Hong Kong. From September 1988 to October 1995, Ms. Leung worked as an accounts clerk at Full Capital Investment Limited, a trading company in Hong Kong.

Ms. Leung passed The London Chamber of Commerce & Industry International Qualification Level 3 Examination in 1989, Accounting Technician Examinations of the Hong Kong Association Of Accounting Technicians in June 1999 and completed her Professional Part 2 examinations of corporate reporting from The Association of Chartered Certified Accountants in December 2001.

Independent non-executive Directors

Mr. Keung Kwok Hung (姜國雄), aged 47, was appointed as our independent non-executive Director on 18 October 2019. He is responsible for supervising and providing independent advice to our Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Keung has over 20 years of experience in accounting and financial management. He joined PricewaterhouseCoopers as an associate in August 1994 and left PricewaterhouseCoopers as a manager in November 2001. From January 2002 to April 2004, he worked as a financial controller at a Hong Kong logistics company. Mr. Keung was/is a director and/or company secretary and/or senior management of the following companies:

Name of company	Principal business of the company	Position/title	Period
China Force Oil & Grains Industrial Holdings Company Limited (a company listed on the Main Board and currently known as Munsun Capital Group Limited, stock code: 1194)	Oil refining and pack oil product business	Finance controller, company secretary and qualified accountant	March 2004 to November 2006
Russell Bedford Hong Kong Limited	Accountancy services including audit, assurance, tax and corporate compliance services	Director of the audit service division	November 2006 to February 2009
EMCOM International Limited (a company listed on GEM and currently known as Bingo Group Holdings Limited, stock code: 8220)	Sales and trading of telecommunication and electronic equipment, commodities and company hardware and other peripherals	Executive director	July 2009 to July 2010
Ming Fai International Holdings Limited (a company listed on the Main Board, stock code: 3828)	Supply and manufacture of hospitality supply products and accessories	Chief financial officer, member of the investment committee, company secretary (since May 2013), executive and member of executive committee (since September 2014)	July 2010 to present

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Principal business of the company	Position/title	Period
China Infrastructure Investment Limited (a company listed on the Main Board, stock code: 0600)	Property development, rental and development of logistics base and storage units	Independent non-executive director	August 2010 to August 2012
Milestone Builder Holdings Limited (a company listed on the Main Board, stock code: 1667)	Building construction services, alteration, addition and fitting-out works and repair and restoration of historic buildings	Independent non-executive director	April 2017 to present

Mr. Keung became a fellow of the Hong Kong Institute of Certified Public Accountants in July 2006 and a fellow of the Association of Chartered Certified Accountants in December 2002. Mr. Keung obtained a bachelor of arts degree in Accountancy from The Hong Kong Polytechnic University in November 1994.

Mr. Tse Wai Kit (謝偉傑), aged 58, was appointed as our independent non-executive Director on 18 October 2019. He is responsible for supervising and providing independent advice to our Board.

Mr. Tse has over 34 years of experience in the construction industry in Hong Kong, having worked at the following engineering firm and construction companies:

Name of company	Position/title	Period
Acme Metal Works Limited	Assistant project manager	September 1984 to June 1987
David S. K. Au & Associates Ltd.	Assistant engineer	November 1987 to June 1988
Gitanes Engineering Co. Ltd.	Sub agent	August 1988 to September 1991
Supreme Contractors Limited	Project manager	July 1992 to January 1995

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Position/title	Period
Dragages et Travaux Publics (HK) Ltd	Senior site engineer	January 1995 to July 1995
Aoki Corporation	Senior engineer	July 1995 to September 1996
Tarzan Contractors Limited	Project manager	April 1997 to September 1998
China National Chemical Engineering Corporation	Senior project manager	November 1999 to August 2001
Nishimatsu Construction Co., Ltd.	Construction manager	August 2001 to June 2004
Kaden Construction Limited	Construction manager	June 2004 to November 2008
China National Chemical Engineering Corporation	Construction manager	November 2008 to August 2010
Penta-Ocean Construction Co. Ltd.	Site agent	September 2010 to March 2012
China National Chemical Engineering Group Corporation	Site agent	March 2012 to July 2017
Chun Wo Construction & Engineering Company Limited	Project manager	July 2017 to October 2018

Mr. Tse became a corporate member of civil discipline in The Hong Kong Institution of Engineers in September 1996. He became a registered professional engineer (civil) from December 2001 and became a member of the Institution of Highways & Transportation in November 2005.

Mr. Tse obtained a higher diploma in structural engineering from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1983. He has also passed the Engineering Council Examination Part II in July 1986.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tse was a director of the following company which was incorporated in Hong Kong prior to its respective dissolution:

<u>Name of company</u>	<u>Nature of business prior to dissolution</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>	<u>Reasons for dissolution</u>
Fortune Rich Engineering Limited (豐裕工程有限公司)	Civil work subcontractor	24 February 2006	Striking off (Note 1)	Dormant

Note:

- (1) Fortune Rich Engineering Limited was struck off pursuant to section 291 of the Predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong, which was in force before 3 March 2014) and was solvent prior to its dissolution.

Prof. Lau Chi Pang, J.P. (劉智鵬), aged 59, was appointed as our independent non-executive Director on 18 October 2019. He is responsible for supervising and providing independent advice to our Board.

Prof. Lau joined Lingnan University as an Assistant Lecturer since September 1993 and is currently a professor in the department of History, the associate vice-president (academic affairs and internal relations) and acting director of communications and public affairs. He has also been a co-ordinator of the Hong Kong and South China Historical Research Programme of Lingnan University since August 2005 and a director of Hong Kong Local Records Office (香港地方志辦公室) since September 2009. Prof. Lau also served as an independent non-executive director of Shengjing Bank Co., Ltd. (a company listed on the Main Board, stock code: 2066) from December 2014 to August 2018. Since September 2018, Prof. Lau has been an independent non-executive director of Future Bright Mining Holdings Limited (a company listed on the Main Board, stock code: 2212).

Since 2006, he has held various positions including chairman and advisor in various public advisory and statutory bodies and non-profit organisations. Prof. Lau has been an ex-officio member of the Heung Yee Kuk since April 2018, a member of the Advisory Council on the Environment since January 2017, the chairman of the Advisory Committee on Built Heritage Conservation from May 2016 to May 2018, a Justice of the Peace since July 2013, a member of the Council of the Lord Wilson Heritage Trust since April 2013 and an advisor of the Museum Expert Advisers for the Leisure and Cultural Services Department from April 2006 to March 2008.

Prof. Lau received a bachelor's degree in Arts from The University of Hong Kong in November 1984, a master's degree in philosophy from The University of Hong Kong in November 1987, and a doctoral degree in philosophy from the department of History of University of Washington in August 2000.

DIRECTORS AND SENIOR MANAGEMENT

Please refer to “Statutory and General Information – D. Further information about our Directors” in Appendix IV to this prospectus for further details regarding our Directors’ respective interests in our Shares within the meaning of Part XV of the SFO and the particulars of the service contracts and appointment letters of our Directors.

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 the 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, and none of our Directors acted as a director of any companies listed on the Stock Exchange or other stock exchanges during the three years immediately preceding the Latest Practicable Date. None of our Directors is personally related to any of our Directors, senior management, substantial shareholders or Controlling Shareholders.

SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Roles/ Responsibilities</u>
Mr. Poon Pui Kit (潘培傑)	45	Project director	17 January 2001	Supervising and managing the daily operations of Acme Gondola
Mr. Wong Lap Sun Sunny (黃立新)	52	General manager	8 December 1989	Supervising and managing the daily operations of Acme Metal
Mr. Lung Shei Kei (龍瑞麒)	34	Chief financial officer	8 August 2018	Supervising and managing the overall accounting, finance, capital markets and company secretarial affairs of our Group

Mr. Poon Pui Kit (潘培傑), aged 45, is the project director of our Group and a director of Acme Gondola, our operating subsidiary. He is primarily responsible for supervising and managing the daily operations of Acme Gondola. Mr. Poon has over 20 years of experience in gondola design, marketing and project management of gondola business. Mr. Poon joined our Group in January 2001 as the senior project manager of Acme Gondola. He was subsequently promoted to project director of our Group in May 2019.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining us, Mr. Poon was an assistant project engineer at European Gondola Systems Company Limited, which imported gondola systems and provided gondola systems installation, repair and maintenance services, from June 1997 to October 1999, where he was responsible for assisting in project operations. From May 2000 to June 2000, Mr. Poon served at DK Engineering Limited, which provided electrical and plumbing design and engineering services, as a project manager and was responsible for the overall management of business operations.

Mr. Poon obtained a higher diploma in manufacturing engineering from the Hong Kong Technical College (Chai Wan) (currently known as the Hong Kong Institute of Vocational Education) in June 1997.

Mr. Wong Lap Sun Sunny (黃立新), aged 52, is the general manager of our Group. He is primarily responsible for supervising and managing the daily operations of Acme Metal. Mr. Wong first joined our Group in December 1989 as an assistant project manager. He left our Group in September 1996 and rejoined in December of the same year as project manager. Mr. Wong was promoted to senior project manager in May 2006 and was further promoted to contract manager in May 2016. He was promoted to general manager of our Group in May 2018.

Between September 1996 and December 1996, Mr. Wong served at Sino Maintenance Service Limited, which provided building maintenance management services, as assistant manager, and was responsible for subletting the maintenance contract and supervising maintenance progress.

Mr. Wong obtained a certificate in building studies from the Morrison Hill Technical Institute (currently known as the Hong Kong Institute of Vocational Education (Morrison Hill)) in July 1992, a certificate in site surveying from The Chartered Institute of Building in February 1994, a higher national certificate in building studies from Business & Technology Education Council in July 1995 and a higher certificate in building studies from The Hong Kong Polytechnic University in October 1995.

Mr. Lung Shei Kei (龍瑞麟), aged 34, is the chief financial officer of our Group. Mr. Lung joined our Group in August 2018 and is primarily responsible for overall accounting, finance, capital markets and company secretarial affairs our Group.

Prior to joining us, Mr. Lung had over 11 years of experience in capital market transactions, professional accounting and auditing practice. Mr. Lung held various positions in PricewaterhouseCoopers from October 2007 to January 2017, with his last position as senior manager since October 2015. From January 2017 to July 2018, Mr. Lung served as a financial controller and the company secretary of Zall Smart Commerce Group Limited (a company listed on the Main Board, stock code: 2098), which developed and operated wholesale shopping malls and B2B trading platforms in China.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lung graduated from the Hong Kong Polytechnic University in December 2007 with a bachelor's degree in accountancy and was accredited as a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2011.

None of the members of our senior management has been a director of any companies listed on the Stock Exchange or other stock exchanges during the three years immediately preceding the Latest Practicable Date.

COMPANY SECRETARY

Mr. Lung is our company secretary, and was appointed on 5 March 2019. Please refer to "Senior management – Mr. Lung Shei Kei" in this section for his biography.

BOARD COMMITTEES

Audit Committee

We have established an audit committee on 18 October 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, all of whom are independent non-executive Directors, being Mr. Keung, Mr. Tse and Prof. Lau. The audit committee is chaired by Mr. Keung. The primary duties of the audit committee are to assist our Board to review of the financial controls, risk management and internal control systems, to review the effectiveness of the audit process, to review our accounting policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee on 18 October 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, being Prof. Lau, Mr. Mak and Mr. Tse. Two of the members are our independent non-executive Directors. The remuneration committee is chaired by Prof. Lau. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; and (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives.

DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

Nomination Committee

We have established a nomination committee on 18 October 2019 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of three members, namely Mr. Tse, Mr. Kwan and Mr. Keung. Two of the members are our independent non-executive Directors. The chairman of the nomination committee is Mr. Tse. The primary function of the nomination committee is to make recommendations to our Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to our board diversity policy, we seek to achieve board diversity through the consideration of various factors such as skills, regional and industry experience, cultural and educational background, gender, ethnicity, age and length of service.

Our Board comprises six members, including three executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of knowledge and experience, including management and strategic development, construction project management, accounting and financial management, and public body and non-profit organisation advisory. Furthermore, our Directors, aged between 47 and 64, are in different life stages with a variety of upbringing and education. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels. While we recognise that gender diversity at the Board level can be improved given that five out of six members of the Board are male Directors, we will continue to apply the principle of appointments based on merits with reference to our board diversity policy as a whole.

Our nomination committee is responsible for ensuring the diversity of our Board. Upon Listing, our nomination committee will review our board diversity policy from time to time to ensure its continued effectiveness. Our implementation of the board diversity policy will be disclosed in our annual reports.

DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. Our Company is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgement.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees, receive, in their capacity as our employees, remuneration in the form of salary, benefits in kind and discretionary bonuses related to the performance of our Company.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid to our Directors for the three years ended 31 December 2018 and the four months ended 30 April 2019 was approximately HK\$3.0 million, HK\$3.3 million, HK\$3.8 million and HK\$1.2 million, respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid by our Group to the five highest paid individuals for the three years ended 31 December 2018 and the four months ended 30 April 2019 was approximately HK\$4.8 million, HK\$5.3 million, HK\$6.6 million and HK\$2.3 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the three years ended 31 December 2018 and the four months ended 30 April 2019. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind but excluding discretionary bonuses) paid and payable to our Directors for the year ending 31 December 2019 is estimated to be approximately HK\$4.2 million.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Dongxing Securities as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory 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 we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in our Shares, or any other matters.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Capitalisation Issue and the Global Offering:

Authorised share capital

	<u>Nominal value</u> HK\$
<u>4,000,000,000</u> Shares	<u>40,000,000.00</u>

Issued share capital

	<u>Nominal value</u> HK\$
6 Shares in issue as at the Latest Practicable Date	0.06
389,999,994 Shares to be issued pursuant to the Capitalisation Issue	3,899,999.94
<u>130,000,000</u> Shares to be issued under the Global Offering	<u>1,300,000.00</u>
<u><u>520,000,000</u></u> Shares in total	<u><u>5,200,000.00</u></u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to Capitalisation Issue and the Global Offering are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options or any options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus, save for the entitlement under the Capitalisation Issue.

SHARE CAPITAL

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Our Company has adopted the Pre-IPO Share Option Scheme. Please refer to “Statutory and general information – E. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus for details of the major terms of the Pre-IPO Share Option Scheme.

Our Company has conditionally adopted the Share Option Scheme. Please refer to “Statutory and general information – F. Share Option Scheme” in Appendix IV to this prospectus for details of the major terms of the Share Option Scheme.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with an aggregate nominal value of not more than the sum of:

- (a) 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options or any option which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to our Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement subject to applicable requirements including the Listing Rules.

This general mandate to issue Shares will expire at the earliest of (i) the conclusion of our Company’s next annual general meeting; (ii) the date by which our Company’s next annual general meeting is required by our Articles of Association or the Cayman Islands Companies Law or applicable laws in the Cayman Islands to be held; or (iii) such mandate being revoked, varied or renewed by ordinary resolution of our Shareholders at a general meeting.

Please refer to “Statutory and general information – A. Further information about our Group – 4. Written resolutions of our Shareholders passed on 18 October 2019” in Appendix IV to this prospectus for further detail.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Statutory and general information – A. Further information about our Group – 6. Repurchases of our Company’s securities” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of (i) the conclusion of our Company’s next annual general meeting; (ii) the date by which our Company’s next annual general meeting is required by our Articles of Association or the Cayman Islands Companies Law or applicable laws in the Cayman Islands to be held; or (iii) such mandate being revoked or varied by ordinary resolution of our Shareholders at a general meeting.

Further information on this general mandate is set out in the section headed “Statutory and general information – A. Further information about our Group – 4. Written resolutions of our Shareholders passed on 18 October 2019” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Islands Companies Law and the terms of our Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) subdivide its Shares into Shares of smaller amount; and (iv) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Islands Companies Law, reduce its share capital or capital redemption reserve by its Shareholders passing special resolution. Please refer to “Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – Shares – Alteration of capital” in Appendix III to this prospectus for further detail.

Pursuant to the Cayman Islands Companies Law and the terms of our Articles of Association, all or any of the special rights attached to our Shares or any class of our Shares may 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 our Shares of that class. Please refer to “Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus for further detail.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as at the Latest Practicable Date, the following persons will, immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options and any options which may be granted under the Share Option Scheme), 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 issued voting shares of any member of our Group:

Name of Shareholder	Nature of interest	As at the date of this prospectus		Immediately following the completion of the Capitalisation Issue and the Global Offering	
		Number of Shares <i>(Note 1)</i>	Percentage of shareholding in our Company	Number of Shares <i>(Note 1)</i>	Percentage of shareholding in our Company
RR (BVI) Limited	Beneficial owner <i>(Note 2)</i>	3 (L)	50%	195,000,000 (L)	37.5%
Mr. Kwan Kam Tim (關錦添)	Interest in a controlled corporation <i>(Note 2)</i>	3 (L)	50%	195,000,000 (L)	37.5%
Ms. Ma Lai Ling (馬麗玲)	Interest of spouse <i>(Note 3)</i>	3 (L)	50%	195,000,000 (L)	37.5%
SV (BVI) Limited	Beneficial owner <i>(Note 4)</i>	3 (L)	50%	195,000,000 (L)	37.5%
Mr. Mak Kim Hung (麥劍雄)	Interest in a controlled corporation <i>(Note 4)</i>	3 (L)	50%	195,000,000 (L)	37.5%
Ms. Chow Yin Yu (周燕如)	Interest of spouse <i>(Note 5)</i>	3 (L)	50%	195,000,000 (L)	37.5%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) The letter “L” denotes the shareholder’s long position in our Shares.
- (2) The entire issued share capital of RR is wholly owned by Mr. Kwan. Mr. Kwan is deemed to be interested in the same number of Shares held by RR.
- (3) Ms. Ma Lai Ling is the spouse of Mr. Kwan. She is deemed to be interested in the same number of Shares in which Mr. Kwan is interested.
- (4) The entire issued share capital of SV is wholly owned by Mr. Mak. Mr. Mak is deemed to be interested in the same number of Shares held by SV.
- (5) Ms. Chow Yin Yu is the spouse of Mr. Mak. She is deemed to be interested in the same number of Shares in which Mr. Mak is interested.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options and any options which may be granted under the Share Option Scheme), have interests or short positions in any 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 issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set out in the accountant's report included as Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with HKFRS.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses 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, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. For further details, see the section headed "Risk factors" in this prospectus.

OVERVIEW

Founded in 1989, we are a reputable design and build solution service provider for façade works and BMU system works in Hong Kong with proven track record. According to the Ipsos Report, we are the only service provider in Hong Kong which provides one-stop design and build solutions for both façade works and BMU system works. Our design and build solution services in relation to façade works and BMU system works generally cover design, preparation of shop drawings and structural calculations, procurement of building materials and BMU systems, installation and logistics arrangement services, on-site project supervision, post-completion maintenance services and project management. To a smaller extent, we also provide one-off repair and maintenance services for façade works and one-off and regular repair and maintenance services for BMU system works. Our façade works focus on private sector and cover residential buildings and commercial buildings. Our BMU system works cover both private and public sectors and cover residential buildings, commercial buildings, industrial buildings as well as community facilities. Our customers are primarily main contractors.

During the Track Record Period, we had completed a total of 103 design and build projects, of which 19 projects were related to façade works and 84 projects were related to BMU system works. For the three years ended 31 December 2018 and the four months ended 30 April 2019, our total revenue amounted to approximately HK\$481.0 million, HK\$423.8 million, HK\$466.1 million and HK\$170.7 million, respectively. During the Track Record Period, all of our revenue was derived from Hong Kong.

FINANCIAL INFORMATION

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

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Façade works	349,747	72.7	300,547	70.9	264,033	56.6	81,711	52.4	76,590	44.9
BMU system works	131,295	27.3	123,204	29.1	202,096	43.4	74,246	47.6	94,080	55.1
Total	481,042	100.0	423,751	100.0	466,129	100.0	155,957	100.0	170,670	100.0

The following table sets forth a breakdown of our revenue during the Track Record Period by private and public sectors:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Private sector	473,828	98.5	420,543	99.2	457,358	98.1	153,949	98.7	168,357	98.6
Public sector	7,214	1.5	3,208	0.8	8,771	1.9	2,008	1.3	2,313	1.4
Total	481,042	100.0	423,751	100.0	466,129	100.0	155,957	100.0	170,670	100.0

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 17 August 2018. In preparation of the Listing, our Group underwent the Reorganisation, as a result of which our Company became the holding company of the companies comprising our Group. For further details of our Reorganisation, please refer to the section headed “History, development and Reorganisation” in this prospectus.

The consolidated income statements, consolidated statements of other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period as set out in the Accountant’s Report set forth in Appendix I to this prospectus were prepared as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 30 April 2019 were prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence at those dates. For further details, please refer to note 1.3 of the Accountant’s Report as set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, some of which are beyond our control, including those factors set out in the section headed “Risk factors” in this prospectus and those set out below. Accordingly, our historical financial results may not be indicative of our future performance and our management’s assessment of the prospects of our Group. The key factors affecting our results of operations include, among other factors, the following:

Demand for design and build solution services for façade works and BMU system works in Hong Kong

Our business performance is mainly affected by the number and availability of design and build projects for façade works and the demand for BMU system works in Hong Kong, which in turn are affected by various factors, including but not limited to, the general economic conditions in Hong Kong, changes in the government policies in relation to infrastructure and property market, the amount of investment in the construction of new commercial, residential and other types of buildings. These factors may affect the demand for the design and build solution services provided by us. Unfavourable changes in these factors may lead to a decrease in demand for our services. In the event that the demand for our services decreases, our results of operations may be adversely affected.

Supply and cost of materials

During the Track Record Period, our material costs constituted a substantial portion of our cost of sales and accounted for approximately 52.7%, 45.6%, 56.8% and 60.5% of our total cost of sales for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively. The supply and cost of materials are affected by macroeconomic conditions, production quantities, costs of such materials and fluctuation in foreign exchange rates. There is no assurance that the supply and cost of materials will remain stable. In the event that the material costs increase due to external factors, our operations and profitability may be adversely affected.

FINANCIAL INFORMATION

The following table sets forth a sensitivity analysis to illustrate the impact of hypothetical increase in material costs on our profit for the years/period indicated, with all other factors remain constant.

	Year ended 31 December			Four months ended 30 April
	2016	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year/period	58,126	60,404	98,891	19,694
Assuming 20% increase in our material costs				
Impact on total cost of sales	41,806	30,695	42,603	16,030
Impact on profit for the year/period	(34,908)	(25,630)	(35,574)	(13,385)
Assuming 40% increase in our material costs				
Impact on total cost of sales	83,613	61,390	85,206	32,061
Impact on profit for the year/period	(69,817)	(51,261)	(71,147)	(26,771)

Subcontracting charges and performance and availability of subcontractors

During the Track Record Period, we subcontracted installation works and fabrication works to our subcontractors. All of our subcontractors are engaged on a project-by-project basis and we are responsible for supervising the works performed by them. Subcontracting charges were one of the major components of our cost of sales and accounted for approximately 36.6%, 41.4%, 29.2% and 26.4% for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively. Subcontracting charges are determined based on, among other things, scope of work, availability of labour of our subcontractors and work schedule. Any significant changes in the subcontracting charges may directly and significantly affect our profit margins and results of operations. In addition, notwithstanding the evaluation and selection of our subcontractors, there is no assurance that the work quality of the subcontractors can always meet our requirements. Outsourcing exposes our Group to the risks associated with non-performance, delayed performance or sub-standard performance by our subcontractors. As a result, our Group may incur additional costs or be subject to liability under the relevant contracts between our Group and our customers for subcontractors' unsatisfactory performance. Such events could impact on our profitability, financial performance and reputation. In addition, there is no assurance that we will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our operation and financial position may also be adversely affected.

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The following table sets forth a sensitivity analysis to illustrate the impact of hypothetical increase in subcontracting charges on our profit for the years/period indicated, with all other factors remain constant.

	Year ended 31 December			Four months ended 30 April
	2016	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year/period	58,126	60,404	98,891	19,694
Assuming 20% increase in our subcontracting charges				
Impact on total cost of sales	28,987	27,917	21,891	6,981
Impact on profit for the year/period	(24,204)	(23,311)	(18,279)	(5,829)
Assuming 40% increase in our subcontracting charges				
Impact on total cost of sales	57,974	55,834	43,781	13,962
Impact on profit for the year/period	(48,408)	(46,621)	(36,557)	(11,658)

Rising labour costs

Employee benefit expenses accounted for approximately 5.9%, 7.6%, 9.0% and 8.2% of our total cost of sales for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively. Over the past years, the construction industry experienced an undersupply of labour. Competition in the labour market for personnel with related expertise and experience may increase the average daily wage of direct labour and correspondingly, our costs associated with recruiting and retaining them, which may in turn adversely affect our results of operations.

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The following table sets forth a sensitivity analysis to illustrate the impact of hypothetical increase in employee benefit expenses attributable to our cost of sales on our profit for the years/period indicated, with all other factors remain constant.

	Year ended 31 December			Four months ended 30 April
	2016	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year/period	58,126	60,404	98,891	19,694
Assuming 20% increase in our employee benefit expenses				
Impact on total cost of sales	4,702	5,147	6,748	2,183
Impact on profit for the year/period	(3,926)	(4,298)	(5,635)	(1,823)
Assuming 40% increase in our employee benefit expenses				
Impact on total cost of sales	9,404	10,294	13,496	4,366
Impact on profit for the year/period	(7,852)	(8,595)	(11,269)	(3,646)

Accuracy in the estimation of time and costs involved in projects before submitting tenders

The design and build projects undertaken by us are generally awarded by our customers after they accept the tender submitted by us, where we have to estimate the time and costs involved in a design and build project in order to determine the fee for the tender. We generally determine the price of projects on an estimated project cost plus a mark-up margin. We determine the pricing of projects on a project-by-project basis depending on several factors, including but not limited to, the nature of the project, the estimated costs, the project schedule, our projects on hand, the availability of our resources, the scale and complexity of the project and the amount of surety bond required. There is no guarantee that the actual amount of time and costs involved in a design and build project must be similar to the estimation and they can be adversely affected by various factors, such as weather conditions, accidents, delay in obtaining approval and other unforeseen site conditions, departure of key project management and supervision personnel involved, substandard performance by our subcontractors, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a design and build project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our financial performance and liquidity.

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CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

In the application of our accounting policies as disclosed in note 2 of the Accountant's Report as set out in Appendix I to this prospectus, we are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our Directors have confirmed that we did not experience any material deviations between our accounting estimates and actual results and did not materially change our accounting estimates during the Track Record Period. The estimates and underlying assumptions are reviewed on an ongoing basis. Our management does not expect any material changes in our accounting estimates in the foreseeable future.

Effects of certain new standards and amendments to HKFRS to our Group

The adoption of HKFRS 9 “Financial instruments” (“HKFRS 9”), HKFRS 15 “Revenue from contracts with customers” (“HKFRS 15”) and HKFRS 16 “Leases” (“HKFRS 16”)

Our consolidated financial information has been prepared based on our underlying financial statements, in which HKFRS 9, HKFRS 15 and HKFRS 16 have been adopted. We have applied HKFRS 9, HKFRS 15 and HKFRS 16 consistently since the beginning of, and throughout, the Track Record Period, such that our historical consolidated financial information prepared under HKFRS 9, HKFRS 15 and HKFRS 16 is comparable on a period-to-period basis. Our Directors consider that the effects of the application of HKFRS 9, HKFRS 15 and HKFRS 16 did not have significant impact on our financial position and performance during the Track Record Period as compared to the requirements of HKAS 11 “Construction contracts”, HKAS 39 “Financial instruments: recognition and measurement” and HKAS 17 “Leases”.

Critical accounting policies

The following is a summary of accounting policies and estimates that are critical to the presentation of our financial results. For further details, please refer to notes 2 and 4 of the Accountant's Report as set out in Appendix I to this prospectus.

Revenue recognition

We measure revenue at the fair value of the consideration received or receivable for the services rendered in the ordinary course of our activities.

If contracts involve the sale of multiple services, we allocate the transaction price to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, we estimate the stand-alone selling prices based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

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We recognise revenue when or as the control of the good or service is transferred to our customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Our revenue from construction services is recognised over time as our performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, we satisfy a performance obligation over time and use costs incurred relative to the total estimated costs to determine the extent of progress towards completion.

Our construction costs are recognised as cost of sales by reference to the extent of progress towards completion of the contract activity at the end of the reporting period. When it is probable that total construction costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. If we are not able to reasonably determine the outcome of the performance obligation or its progress toward satisfaction of the obligation, we recognise revenue over time as the work is performed, but only to the extent of costs incurred as long as we expect to at least recover our costs.

We account for a modification to a contract if our customers approve a change in the scope and/or price of a contract. A contract modification is approved when the modification creates or changes the enforceable rights and obligations of our customers to the contract. If our customers have approved a change in scope, but have not yet determined the corresponding change in price, we estimate the change to the contract price as variable consideration.

Our revenue from maintenance services is recognised over the period that services are rendered and our performance provides all of the benefits received and consumed simultaneously by our customers.

Contract assets and contract liabilities

Upon entering into a contract, we obtain rights to receive consideration from and assume performance obligations to transfer goods or services to our customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from our customer exceeds the measure of the remaining unsatisfied performance obligations.

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Trade and retention receivables

Our trade and retention receivables are amounts due from customers for services performed in the ordinary course of business and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade, bills and retention payables

Our trade, bills and retention payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Critical accounting estimates and judgements

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next 12 months:

- **Percentage of completion of construction works.** We recognise our revenue from construction contracts according to the percentage of the contract cost incurred up to date of the individual contract of construction works as a percentage of total estimated cost. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. We review and revise the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Our management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.
- **Estimation of foreseeable losses in respect of construction works.** Our management estimates the amount of foreseeable losses of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly consist of subcontracting charges and material costs are prepared by our management based on the quotations provided by the major contractors, suppliers and vendors involved, and the experience of our management. Our management conducts periodic review on the management budgets by reviewing the actual amounts incurred. Items that will subject to significant variances and impact the amount of provision of foreseeable losses of construction contracts include the changes in estimations or the actual costs incurred for materials, staff costs, the amount of variation orders and claims as compared to management's budget. Such significant estimate may have impact on the profit recognised in each period.

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DESCRIPTION OF CERTAIN COMPONENTS OF OUR CONSOLIDATED INCOME STATEMENTS

The following table sets forth a summary of our consolidated income statements for the years/periods indicated:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i>
Revenue	481,042	423,751	466,129	155,957	170,670
Cost of sales	(396,456)	(336,865)	(375,021)	(123,426)	(132,379)
Gross profit	84,586	86,886	91,108	32,531	38,291
Other income	1,796	1,603	1,704	678	732
Other (losses)/gains, net	(1,385)	75	44,415	242	224
Administrative expenses	(15,079)	(15,768)	(26,030)	(4,622)	(14,563)
Operating profit	69,918	72,796	111,197	28,829	24,684
Finance income	283	380	674	196	233
Finance costs	(746)	(1,210)	(834)	(166)	(158)
Finance (costs)/income, net	(463)	(830)	(160)	30	75
Profit before income tax	69,455	71,966	111,037	28,859	24,759
Income tax expense	(11,329)	(11,562)	(12,146)	(4,459)	(5,065)
Profit for the year/period	<u>58,126</u>	<u>60,404</u>	<u>98,891</u>	<u>24,400</u>	<u>19,694</u>
Profit attributable to:					
Owners of our Company	49,975	52,667	80,135	22,772	19,579
Non-controlling interests	8,151	7,737	18,756	1,628	115
	<u>58,126</u>	<u>60,404</u>	<u>98,891</u>	<u>24,400</u>	<u>19,694</u>
Non-HKFRS measures:					
Adjusted profit for the year/period^(Note)	<u>58,126</u>	<u>60,404</u>	<u>59,443</u>	<u>24,400</u>	<u>25,868</u>

Note: We define adjusted profit as profit for the year/period excluding the listing expenses and gain on disposal of property, plant and equipment. The term of adjusted profit is not defined under HKFRS. Our adjusted profit is solely for reference and does not include the abovementioned items that impact our profit or loss for the relevant years/period. Please refer to the paragraph headed "Description of certain components of our consolidated income statements – Non-HKFRS measures" in this section for further details.

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Non-HKFRS measures

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented the adjusted profit as non-HKFRS measures used by our management to evaluate our financial performance by eliminating the impact of listing expenses and gain on disposal of property, plant and equipment attributable to the disposal of the Wong's Property and Wai Yip Property, which are non-recurring in nature and are not indicative for evaluating the actual performance of our business. We believe that these non-HKFRS measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

The following table sets forth a reconciliation between the profit for the year/period and the adjusted profit for the year/period for the years/periods indicated:

	Year ended 31 December			Four months ended 30 April	
	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 for the year/period	58,126	60,404	98,891	24,400	19,694
Adjusted for:					
Listing expenses	–	–	7,631	–	6,174
Gain on disposal of property, plant and equipment	–	–	(47,079)	–	–
	<u>–</u>	<u>–</u>	<u>(47,079)</u>	<u>–</u>	<u>–</u>
Adjusted profit for the year/period	<u>58,126</u>	<u>60,404</u>	<u>59,443</u>	<u>24,400</u>	<u>25,868</u>

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Revenue

During the Track Record Period, we derived our revenue in Hong Kong from the following two business streams:

Façade works We provide one-stop design and build solutions in relation to façade works which generally range from design, preparation of shop drawings and structural calculations, procurement of building materials, installation and logistics arrangement services, on-site project supervision, post-completion maintenance services to project management. To a smaller extent, we also provide one-off repair and maintenance services. Our revenue from façade works contributed approximately 72.7%, 70.9%, 56.6% and 44.9% of our total revenue for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

BMU system works We provide one-stop design and build solutions in relation to BMU system works which generally include design, preparation of shop drawings and structural calculations, procurement of building materials and BMU systems, installation and logistics arrangement services as well as on-site project supervision, post-completion maintenance services and project management. To a smaller extent, we also provide one-off and regular repair and maintenance services. Our revenue from BMU system works contributed approximately 27.3%, 29.1%, 43.4% and 55.1% of our total revenue for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

Revenue by business stream

The following table sets forth a breakdown of our revenue by business stream for the years/periods indicated:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Façade works	349,747	72.7	300,547	70.9	264,033	56.6	81,711	52.4	76,590	44.9
BMU system works	131,295	27.3	123,204	29.1	202,096	43.4	74,246	47.6	94,080	55.1
Total	481,042	100.0	423,751	100.0	466,129	100.0	155,957	100.0	170,670	100.0

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Our total revenue decreased by approximately 11.9% from HK\$481.0 million for the year ended 31 December 2016 to HK\$423.8 million for the year ended 31 December 2017. This decrease was primarily attributable to the decrease in revenue from both façade works and BMU system works.

Our total revenue increased by approximately 10.0% from HK\$423.8 million for the year ended 31 December 2017 to HK\$466.1 million for the year ended 31 December 2018. This increase was primarily attributable to the increase in revenue from BMU system works, partially offset by the decrease in revenue from façade works.

Our total revenue increased by approximately 9.4% from HK\$156.0 million for the four months ended 30 April 2018 to HK\$170.7 million for the four months ended 30 April 2019. This increase was primarily attributable to the increase in revenue from BMU system works, partially offset by the decrease in revenue from façade works.

Façade works

Our revenue from façade works decreased by approximately 14.1% from HK\$349.7 million for the year ended 31 December 2016 to HK\$300.5 million for the year ended 31 December 2017. This decrease was primarily attributable to the decrease in revenue from project F-1 located in Sai Kung, which was one of our major residential projects during the Track Record Period, from HK\$81.3 million for the year ended 31 December 2016 to HK\$33.1 million for the year ended 31 December 2017. Such project commenced in April 2014 and was in full swing during the year ended 31 December 2016. We had obtained its practical completion certificate in July 2017.

Our revenue from façade works decreased by approximately 12.1% from HK\$300.5 million for the year ended 31 December 2017 to HK\$264.0 million for the year ended 31 December 2018. This decrease was primarily attributable to (i) the decrease in revenue for certain projects which generated revenue of more than HK\$30 million for the year ended 31 December 2017, details and background of such projects are set out below; and (ii) the delay in main contractor's work schedule of project F-13 in 2018, which was one of our large projects in terms of awarded contract sum and commenced construction in August 2017.

Façade work projects which generated revenue of more than HK\$30 million for the year ended 31 December 2017

F-2 is a commercial building project located in North Point. Our revenue generated from this project decreased from HK\$43.6 million for the year ended 31 December 2017 to HK\$15.5 million for the year ended 31 December 2018. This decrease was primarily due to less construction works performed at its closing stage during the year ended 31 December 2018 as the project was completed in June 2018.

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F-1 is a residential building project located in Sai Kung. Our revenue generated from this project decreased from HK\$33.1 million for the year ended 31 December 2017 to HK\$15.8 million for the year ended 31 December 2018. Our revenue generated from this project for the year ended 31 December 2018 primarily arose from additional variation orders for enhancement work after we obtained the practical completion certificate for this project in July 2017.

F-12 is a residential building project located in Happy Valley and commenced construction in September 2016. Our revenue generated from this project amounted to HK\$47.1 million and HK\$49.4 million for the years ended 31 December 2017 and 2018, respectively, which substantial construction works were performed during the same years. We expect to obtain practical completion certification in January 2020.

Our revenue from façade works decreased by approximately 6.2% from HK\$81.7 million for the four months ended 30 April 2018 to HK\$76.6 million for the four months ended 30 April 2019. This decrease was primarily attributable to the decrease in revenue generated from projects F-12, F-2 and F-3, which were the three largest façade work projects by revenue during the four months ended 30 April 2018, partially offset by the increase in revenue generated from projects F-11 and F-14, which were the two largest façade work projects by revenue during the four months ended 30 April 2019. During the four months ended 30 April 2018, F-12 was our largest façade work project by revenue and contributed revenue of HK\$33.3 million which substantial construction works were performed during the period. The expected completion date is postponed from March 2019 to October 2019 as a result the delay in main contractor's work schedule. During the same period, we performed mainly maintenance works for projects F-2 and F-3, both of which were completed in the first half of 2018. During the four months ended 30 April 2019, we performed substantial contract works for projects F-11 and F-14 and generated revenue of HK\$18.5 million and HK\$18.3 million, respectively. The projects were expected to be completed in February 2021 and December 2019, respectively. For further details of the projects, please refer to the section headed "Business – Our design and build projects".

BMU system works

Our revenue from BMU system works decreased by approximately 6.2% from HK\$131.3 million for the year ended 31 December 2016 to HK\$123.2 million for the year ended 31 December 2017. This decrease was primarily attributable to the decrease in number of projects which generated revenue of more than HK\$10 million from four for the year ended 31 December 2016 to three for the year ended 31 December 2017, partially offset by the increase in revenue generated from other BMU system work projects of smaller scale during the same year. Details and background of projects which generated revenue of more than HK\$10 million for the years ended 31 December 2016 and 2017 are set out below.

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BMU system work projects which generated revenue of more than HK\$10 million for the year ended 31 December 2016

BMU-1 is a residential building project located in Tuen Mun, which completed construction in September 2017. Our revenue generated from this project decreased from HK\$13.7 million for the year ended 31 December 2016 to HK\$1.7 million for the year ended 31 December 2017.

BMU-2 is a residential building project located in Ho Man Tin, which completed construction in August 2017. Our revenue generated from this project decreased from HK\$13.4 million for the year ended 31 December 2016 to HK\$0.6 million for the year ended 31 December 2017.

BMU-3 is a residential building project located in Tseung Kwan O, which completed construction in October 2017. Our revenue generated from this project decreased from HK\$11.7 million for the year ended 31 December 2016 to HK\$1.5 million for the year ended 31 December 2017.

BMU-16 is a residential building project located in North Point. Our revenue generated from this project decreased from HK\$11.6 million for the year ended 31 December 2016 to HK\$0.1 million for the year ended 31 December 2017.

The decrease in revenue from projects BMU-1, BMU-2 and BMU-3 was primarily due to less construction works performed at the respective closing stages of the projects during the year ended 31 December 2017 as these projects were completed in September, August and October 2017, respectively. The decrease in revenue from project BMU-16 was primarily due to substantial work performed by us for this project during the year ended 31 December 2016. The project was originally expected to be completed in the year ended 31 December 2016 and was subsequently delayed due to the change in the property owner's business plan of the project. We had not obtained the handover certificate as at the Latest Practicable Date. Our total contract assets as at 30 April 2019 included revenue of approximately HK\$0.9 million recognised in respect of this project.

BMU system work projects which generated revenue of more than HK\$10 million for the year ended 31 December 2017

BMU-18 is a residential building project located in Tseung Kwan O, which commenced construction in March 2016 and completed construction in March 2019. Our revenue generated from this project increased from HK\$1.4 million for the year ended 31 December 2016 to HK\$11.6 million for the year ended 31 December 2017. Major works for this project were performed near the end of 2016 and during the year ended 31 December 2017.

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BMU-14 is a residential building project located in Sham Shui Po which commenced construction in October 2015 and completed construction in August 2019. Our revenue generated from this project increased from HK\$0.3 million for the year ended 31 December 2016 to HK\$11.4 million for the year ended 31 December 2017.

BMU-21 is a residential building project located in Tseun Wan. Our revenue generated from this project increased from HK\$36,000 for the year ended 31 December 2016 to HK\$10.1 million for the year ended 31 December 2017 as we performed major works during the year ended 31 December 2017. BMU-21 had not been completed as at the Latest Practicable Date.

Our revenue from BMU system works increased by approximately 64.0% from HK\$123.2 million for the year ended 31 December 2017 to HK\$202.1 million for the year ended 31 December 2018. This increase was primarily attributable to the commencement of certain large-scale projects in the second half of 2017 and during the year ended 31 December 2018 which generated revenue of more than HK\$10 million for the year ended 31 December 2018, details and background of such projects are set out below.

BMU system work projects which generated revenue of more than HK\$10 million for the year ended 31 December 2018

BMU-4 is a residential building project located in Shatin and commenced construction in March 2017. Our revenue generated from this project amounted to HK\$0.6 million and HK\$12.5 million for the years ended 31 December 2017 and 2018, respectively.

BMU-20 is a community facility project located in Happy Valley and commenced construction in August 2017. Our revenue generated from this project amounted to HK\$10.5 million for the year ended 31 December 2018.

BMU-22 is a residential building project located in Tai Po and commenced construction in September 2018. Our revenue generated from this project amounted to HK\$11.0 million for the year ended 31 December 2018.

BMU-19 is a residential building project located in North Point and commenced construction in November 2017. Our revenue generated from this project amounted to HK\$11.9 million for the year ended 31 December 2018.

BMU-11 is a residential building project located in Tai Po and commenced construction in May 2018. Our revenue generated from this project amounted to HK\$20.6 million for the year ended 31 December 2018.

Our revenue from BMU system works increased by approximately 26.8% from HK\$74.2 million for the four months ended 30 April 2018 to HK\$94.1 million for the four months ended 30 April 2019. This increase was primarily attributable to the increase in number of projects which generated revenue of more than HK\$5 million from four for the four months ended 30 April 2018 to five for the four months ended 30 April 2019. Details and background of such projects are set out below.

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BMU system work projects which generated revenue of more than HK\$5 million for the four months ended 30 April 2018

BMU-4 is a residential building project located in Shatin and commenced construction in March 2017. Our revenue generated from this project amounted to HK\$12.3 million for the four months ended 30 April 2018.

BMU-22 is a residential building project located in Tai Po and commenced construction in September 2018. Our revenue generated from this project amounted to HK\$8.0 million for the four months ended 30 April 2018.

BMU-120 is a residential building project located in Sai Ying Pun and commenced construction in July 2017. Our revenue generated from this project amounted to HK\$7.1 million for the four months ended 30 April 2018.

BMU-121 is a residential building project located in Kai Tak and commenced construction in November 2016. Our revenue generated from this project amounted to HK\$6.3 million for the four months ended 30 April 2018.

BMU system work projects which generated revenue of more than HK\$5 million for the four months ended 30 April 2019

BMU-17 is a residential building project located in Tai Po and commenced construction in September 2018. Our revenue generated from this project amounted to HK\$13.6 million for the four months ended 30 April 2019.

BMU-13 is a residential building project located in Tai Po and commenced construction in November 2018. Our revenue generated from this project amounted to HK\$9.9 million for the four months ended 30 April 2019.

BMU-26 is a residential building projected located in Tseung Kwan O and commenced construction in February 2017. Our revenue generated from this project amounted to HK\$9.9 million for the four months ended 30 April 2019.

BMU-12 is a residential building project located in Tai Po and commenced construction in October 2017. Our revenue generated from this project amounted to HK\$8.8 million for the four months ended 30 April 2019.

BMU-15 is a residential building project located in Sham Shui Po and commenced construction in July 2016. Our revenue generated from this project amounted to HK\$7.5 million for the four months ended 30 April 2019.

FINANCIAL INFORMATION

The following table sets forth a breakdown of the number of façade work projects and BMU system work projects based on their scales of respective revenue recognised for the years/periods indicated:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
Revenue from façade work projects					
Less than HK\$1,000,001	17	19	25	17	33
HK\$1,000,001 to HK\$10,000,000	8	14	10	13	8
HK\$10,000,001 to HK\$20,000,000	3	5	6	–	2
HK\$20,000,001 to HK\$30,000,000	5	1	1	–	–
More than HK\$30,000,000	3	3	2	1	–
	<u>36</u>	<u>42</u>	<u>44</u>	<u>31</u>	<u>43</u>
Revenue from BMU system work projects					
Less than HK\$1,000,001	61	76	87	76	66
HK\$1,000,001 to HK\$10,000,000	22	27	33	17	20
HK\$10,000,001 to HK\$20,000,000	4	3	4	1	1
HK\$20,000,001 to HK\$30,000,000	–	–	1	–	–
More than HK\$30,000,000	–	–	–	–	–
	<u>87</u>	<u>106</u>	<u>125</u>	<u>94</u>	<u>87</u>

FINANCIAL INFORMATION

Cost of sales

Cost of sales by expense nature

Our cost of sales primarily consist of (i) material costs; (ii) subcontracting charges; (iii) employee benefit expenses; and (iv) others, which primarily include testing and consultancy fees, freight charges and transportation and insurance. The following table sets forth a breakdown of our cost of sales for the years/periods indicated:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Material costs	209,032	52.7	153,476	45.6	213,014	56.8	69,314	56.2	80,152	60.5
Subcontracting charges	144,934	36.6	139,586	41.4	109,453	29.2	38,638	31.3	34,904	26.4
Employee benefit expenses	23,511	5.9	25,734	7.6	33,741	9.0	9,507	7.7	10,916	8.2
Others	18,979	4.8	18,069	5.4	18,813	5.0	5,967	4.8	6,407	4.9
Total	396,456	100.0	336,865	100.0	375,021	100.0	123,426	100.0	132,379	100.0

The composition of our cost of sales varies amongst different projects depending on design, timing, stage and progress and other requirements of the respective projects. As such, our cost of sales may fluctuate substantially from one year to another. Our cost of sales decreased from HK\$396.5 million for the year ended 31 December 2016 to HK\$336.9 million for the year ended 31 December 2017 primarily due to the decrease in our material costs as a result of the decrease in materials consumed during the year ended 31 December 2017. Our cost of sales increased from HK\$336.9 million for the year ended 31 December 2017 to HK\$375.0 million for the year ended 31 December 2018 primarily due to the increase in our material costs as a result of the increase in BMU system costs used in our BMU system work projects during the year ended 31 December 2018, partially offset by the decrease in subcontracting charges incurred as a result of the decrease in our subcontracting works performed for our façade work projects during the same year. Our cost of sales increased from HK\$123.4 million for the four months ended 30 April 2018 to HK\$132.4 million for the four months ended 30 April 2019 primarily due to the increase in our material costs as a result of the increase in BMU system costs used in our work projects during the same period, partially offset by the decrease in subcontracting charges incurred as a result of the decrease in subcontracting works performed for our façade work projects during the same period.

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Material costs

Our material costs represent the costs of building materials consumed in the course of provision of our services. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our material costs accounted for approximately 52.7%, 45.6%, 56.8% and 60.5% of our total cost of sales, respectively. The following table sets forth a breakdown of our material costs by type of material for the years/periods indicated:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Aluminium	77,251	37.0	50,728	33.1	48,997	23.0	11,417	16.5	14,028	17.5
BMU system	66,188	31.7	58,038	37.8	114,974	54.0	41,562	60.0	53,204	66.4
Glass	28,787	13.8	15,443	10.1	12,661	5.9	6,350	9.2	2,569	3.2
Hardware	26,253	12.6	17,196	11.2	26,102	12.3	7,284	10.5	8,090	10.1
Sealant	7,118	3.4	6,766	4.4	4,073	1.9	1,488	2.1	909	1.1
PVC tape	1,876	0.9	2,838	1.8	5,032	2.4	796	1.1	860	1.1
Others	1,559	0.6	2,467	1.6	1,175	0.5	417	0.6	492	0.6
Total	209,032	100.0	153,476	100.0	213,014	100.0	69,314	100.0	80,152	100.0

Our major materials mainly include (i) aluminium; (ii) BMU system; (iii) glass; and (iv) hardware, which were primarily hinges and other metal accessories. Our material costs decreased from HK\$209.0 million for the year ended 31 December 2016 to HK\$153.5 million for the year ended 31 December 2017 primarily due to (i) the decrease in cost of aluminium as a result of us consuming less aluminium during the year ended 31 December 2017; and (ii) the decrease in cost of BMU system, glass and hardware in general as we consumed fewer of these materials due to the decrease in our construction works performed during the same year. Our material costs increased from HK\$153.5 million for the year ended 31 December 2017 to HK\$213.0 million for the year ended 31 December 2018 primarily due to the increase in BMU system costs used in our BMU system work projects during the year ended 31 December 2018 which was in line with the increase in our revenue from BMU system works during the same year. Our material costs increased from HK\$69.3 million for the four months ended 30 April 2018 to HK\$80.2 million for the four months ended 30 April 2019 primarily due to the increase in BMU system costs used in our BMU system work projects during the four months ended 30 April 2019, which was in line with the increase in our revenue from BMU system works during the same period. During the four months ended 30 April 2019, our glass costs decreased significantly by 59.5% to HK\$2.6 million as compared to the four months ended 30 April 2018, which was mainly because of the different stages of the façade work projects involved in the respective periods. For the four months ended 30 April 2018, our glass cost was mainly attributable to project F-12. For the four months ended 30 April 2019, our glass cost was mainly attributable to project F-14.

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Subcontracting charges

Our subcontracting charges arise from installation works and fabrication works provided by our subcontractors. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our subcontracting charges accounted for approximately 36.6%, 41.4%, 29.2% and 26.4% of our total cost of sales, respectively.

Our subcontracting charges remained stable at HK\$144.9 million and HK\$139.6 million for the years ended 31 December 2016 and 2017, respectively. Our subcontracting charges decreased from HK\$139.6 million for the year ended 31 December 2017 to HK\$109.5 million for the year ended 31 December 2018 primarily due to the decrease in our subcontracting works performed for our façade work projects during the same year. Our subcontracting charges decreased from HK\$38.6 million for the four months ended 30 April 2018 to HK\$34.9 million for the four months ended 30 April 2019 primarily due to the decrease in our subcontracting works performed for our façade work projects during the same period.

Employee benefit expenses

Our employee benefit expenses attributable to cost of sales primarily represent the compensation and benefits provided to our project management team and design team. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our employee benefits expenses attributable to cost of sales accounted for approximately 5.9%, 7.6%, 9.0% and 8.2% of our total cost of sales, respectively.

Our employee benefit expenses attributable to cost of sales increased from HK\$23.5 million for the year ended 31 December 2016 to HK\$25.7 million for the year ended 31 December 2017 primarily due to the increase in average salaries. Our employee benefits expenses attributable to cost of sales increased from HK\$25.7 million for the year ended 31 December 2017 to HK\$33.7 million for the year ended 31 December 2018 primarily due to the increase in performance bonus paid and the salary increment for certain experienced staff during the same year. Our employee benefit expenses attributable to cost of sales increased from HK\$9.5 million for the four months ended 30 April 2018 to HK\$10.9 million for the four months ended 30 April 2019 primarily due to the increase in average headcount and the salary increment during the same period.

Others

Others mainly include testing and consultancy fees, freight charges and transportation and insurance. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, others accounted for approximately 4.8%, 5.4%, 5.0% and 4.9% of our total cost of sales, respectively.

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Cost of sales by business stream

The following table sets forth a breakdown of our cost of sales by business stream for the years/periods indicated:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Façade works	302,210	76.2	255,787	75.9	219,313	58.5	68,753	55.7	65,871	49.8
BMU system works	94,246	23.8	81,078	24.1	155,708	41.5	54,673	44.3	66,508	50.2
Total	396,456	100.0	336,865	100.0	375,021	100.0	123,426	100.0	132,379	100.0

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin by business stream for the years/periods indicated:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>(unaudited)</i>									
Façade works	47,537	13.6	44,760	14.9	44,720	16.9	12,958	15.9	10,719	14.0
BMU system works	37,049	28.2	42,126	34.2	46,388	23.0	19,573	26.4	27,572	29.3
Total/overall	84,586	17.6	86,886	20.5	91,108	19.5	32,531	20.9	38,291	22.4

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Our gross profit margin increased from 17.6% for the year ended 31 December 2016 to 20.5% for the year ended 31 December 2017 primarily due to the increase in gross profit margin of our BMU system works. Our gross profit margin decreased slightly from 20.5% for the year ended 31 December 2017 to 19.5% for the year ended 31 December 2018, primarily due to the decrease in gross profit margin of our BMU system works. The effect was partially offset by the increase in proportion of revenue contributed by our BMU system works, which carried higher gross profit margin than façade works in general, from 29.1% for the year ended 31 December 2017 to 43.4% for the year ended 31 December 2018. Our gross profit margin increased from 20.9% for the four months ended 30 April 2018 to 22.4% for the four months ended 30 April 2019 primarily due to the increase in gross profit margin of our BMU system works.

Façade works

The gross profit margin of our façade works remained stable at 13.6% and 14.9% for the years ended 31 December 2016 and 2017, respectively. The gross profit margin of our façade works increased from 14.9% for the year ended 31 December 2017 to 16.9% for the year ended 31 December 2018 primarily due to higher gross profit margins recorded for projects F-1 and F-2 for the year ended 31 December 2018 as there were more variation orders, which had relatively higher gross profit margins, during the year ended 31 December 2018. For the year ended 31 December 2018, the gross profit contributed by projects F-1 and F-2 in aggregate amounted to HK\$14.9 million, representing approximately 33.4% of our gross profit attributable to facade works for the same year. The gross profit margins of projects F-1 and F-2 increased from 16.7% and 16.6%, respectively, for the year ended 31 December 2017 to 46.9% and 48.5%, respectively, for the year ended 31 December 2018 primarily because there were more variation orders for such projects for the year ended 31 December 2018 and such variation orders had relatively higher gross profit margins as less costs were incurred for the relevant works. The gross profit margin of our façade works decreased from 15.9% for the four months ended 30 April 2018 to 14.0% for the four months ended 30 April 2019. This decrease was primarily attributable to higher gross profit margins recorded for projects F-1 and F-2 for the four months ended 30 April 2018, which were two of the five largest projects for the same period. The higher gross profit margin for these projects were primarily due to variation orders for these projects.

BMU system works

The gross profit margin of our BMU system works increased from 28.2% for the year ended 31 December 2016 to 34.2% for the year ended 31 December 2017 primarily due to more variation orders, which had relatively higher gross profit margins, for our projects, in particular, projects BMU-1, BMU-3 and BMU-7, during the year ended 31 December 2017. For the year ended 31 December 2017, the gross profit contributed by projects BMU-1, BMU-3 and BMU-7 in aggregate amounted to HK\$4.0 million, representing approximately 9.6% of our gross profit attributable to BMU system works for the same year. The average gross profit margins for such projects increased from 18.7% for the year ended 31 December 2016 to 93.8% for the year ended 31 December 2017 primarily because there were more variation orders for such projects for the year ended 31 December 2017 and such variation orders had relatively

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higher gross profit margins as very minimal extra costs were incurred for the relevant works. The gross profit margin of our BMU system works decreased from 34.2% for the year ended 31 December 2017 to 23.0% for the year ended 31 December 2018. Our gross profit margin resumed to a lower level during the year ended 31 December 2018 as a result of (i) fewer variation orders during the year ended 31 December 2018, which decreased from HK\$19.6 million for the year ended 31 December 2017 to HK\$6.5 million for the year ended 31 December 2018; and (ii) lower gross profit margins recorded for three projects located in Pak Shek Kok of Tai Po (i.e. BMU-11, BMU-12 and BMU-22), which generated revenue of approximately HK\$20.6 million, HK\$9.5 million and HK\$11.0 million, with gross profit margin of approximately 15.0%, 17.0% and 7.1%, respectively during that year. The lower gross profit margins of these three projects were mainly attributable to our business strategy to tender for these projects at more competitive prices, having considered that they are high-profile first-hand residential property development projects in the same development area and that our reputation in the industry could be enhanced if we can successfully undertake all these projects and build up a strong project portfolio. The gross profit margin of our BMU system works increased from 26.4% for the four months ended 30 April 2018 to 29.3% for the four months ended 30 April 2019 primarily due to works performed for certain projects with higher gross profit margins during the four months ended 30 April 2019, including BMU-10, BMU-14 and BMU-16. The high gross profit margins for these projects were mainly due to less actual maintenance costs incurred subsequent to the handover of our BMU systems.

Other income

Our other income consists of (i) dividend income from financial assets at fair value through other comprehensive income (“FVOCI”); and (ii) sundry income. The following table sets forth a breakdown of our other income for the years/periods indicated:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Dividend income from financial assets at FVOCI	1,510	84.1	1,586	98.9	1,675	98.3	678	100.0	720	98.4
Sundry income	286	15.9	17	1.1	29	1.7	-	-	12	1.6
Total	1,796	100.0	1,603	100.0	1,704	100.0	678	100.0	732	100.0

(unaudited)

Our other income remained stable at HK\$1.8 million, HK\$1.6 million and HK\$1.7 million for the years ended 31 December 2016, 2017 and 2018, respectively. Our other income remained stable at HK\$0.7 million and HK\$0.7 million for the four months ended 30 April 2018 and 2019, respectively.

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Other (losses)/gains, net

Our other (losses)/gains, net consists of (i) foreign exchange differences, net; (ii) gain on disposal of property, plant and equipment; and (iii) loss on written off of property, plant and equipment. The following table sets forth a breakdown of our other (losses)/gains, net for the years/periods indicated:

	Year ended 31 December			Four months ended 30 April	
	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>	
Foreign exchange differences, net	(1,378)	75	(2,567)	242	224
Gain on disposal of property, plant and equipment	–	–	47,079	–	–
Loss on written off of property, plant and equipment	(7)	–	(97)	–	–
Total	<u>(1,385)</u>	<u>75</u>	<u>44,415</u>	<u>242</u>	<u>224</u>

Our other (losses)/gains, net changed from a loss of HK\$1.4 million for the year ended 31 December 2016 to a gain of HK\$75,000 for the year ended 31 December 2017, primarily attributable to the change in our foreign exchange differences, net. We recorded a net foreign exchange loss of HK\$1.4 million for the year ended 31 December 2016 primarily arose from (i) the revaluation of our pledged deposits denominated in RMB as RMB depreciated during the same year; and (ii) the settlement of our trade payables denominated primarily in EUR as EUR appreciated during the same year. We recorded a net foreign exchange gain of HK\$75,000 for the year ended 31 December 2017 primarily arose from the revaluation of our pledged deposits denominated in RMB as RMB appreciated during the same year, offset by the unrealised exchange loss arising from our bank borrowings denominated in EUR as EUR appreciated during the same year. Our other gains, net increased from HK\$75,000 for the year ended 31 December 2017 to HK\$44.4 million for the year ended 31 December 2018, primarily attributable to the gain on disposal of the Wong's Property and Wai Yip Property amounted to HK\$47.1 million during the year ended 31 December 2018. For further details of the disposal, please refer to the section headed "History, development and Reorganisation – Reorganisation – Disposals of the Excluded Properties" in this prospectus. Our other (losses)/gains, net remained stable at HK\$0.2 million and HK\$0.2 million for the four months ended 30 April 2018 and 2019, respectively, which primarily arose from the revaluation of our pledged deposits denominated in RMB as RMB appreciated slightly during the periods.

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Administrative expenses

Our administrative expenses primarily consist of (i) employee benefit expenses for our administrative and management personnel; (ii) insurance expenses; (iii) entertainment expenses; (iv) office expenses; (v) travelling expenses; (vi) depreciation expenses; (vii) bank charges; (viii) legal and professional fees; (ix) auditor's remuneration; (x) listing expenses; and (xi) other expenses, which primarily include repair and maintenance expenses, storage charges, motor vehicle expenses and etc. The following table sets forth a breakdown of our administrative expenses for the years/periods indicated:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Employee benefit expenses	7,607	50.4	8,332	52.8	8,662	33.3	2,374	51.4	3,606	24.8
Insurance expenses	1,288	8.5	1,406	8.9	1,229	4.7	237	5.1	597	4.1
Entertainment expenses	1,274	8.4	1,134	7.2	1,747	6.7	506	10.9	668	4.6
Office expenses	1,216	8.1	1,164	7.4	1,333	5.1	393	8.5	531	3.6
Travelling expenses	960	6.4	978	6.2	850	3.3	219	4.7	236	1.6
Depreciation expenses	744	4.9	703	4.5	1,536	5.9	188	4.1	1,023	7.0
Bank charges	482	3.2	236	1.5	467	1.8	130	2.8	111	0.8
Legal and professional fees	139	0.9	108	0.7	392	1.5	15	0.3	783	5.4
Auditor's remuneration	68	0.5	95	0.6	88	0.3	31	0.7	93	0.6
Listing expenses	-	-	-	-	7,631	29.3	-	-	6,174	42.4
Other expenses	1,301	8.7	1,612	10.2	2,095	8.1	529	11.5	741	5.1
Total	15,079	100.0	15,768	100.0	26,030	100.0	4,622	100.0	14,563	100.0

Our administrative expenses increased from HK\$15.1 million for the year ended 31 December 2016 to HK\$15.8 million for the year ended 31 December 2017, primarily attributable to an increase in our employee benefit expenses from HK\$7.6 million for the year ended 31 December 2016 to HK\$8.3 million for the year ended 31 December 2017 as a result of our salary increment during the year.

Our administrative expenses increased from HK\$15.8 million for the year ended 31 December 2017 to HK\$26.0 million for the year ended 31 December 2018, primarily attributable to (i) the listing expenses of HK\$7.6 million incurred during the year ended 31 December 2018 in preparation for the Listing; (ii) an increase in depreciation expenses from HK\$0.7 million for the year ended 31 December 2017 to HK\$1.5 million for the year ended

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31 December 2018 due to the increase in depreciation on the right of use for our office rented in 2018 over the tenancy period and the leasehold improvement for our office; (iii) an increase in entertainment expenses from HK\$1.1 million for the year ended 31 December 2017 to HK\$1.7 million for the year ended 31 December 2018; and (iv) an increase in other expenses from HK\$1.6 million for the year ended 31 December 2017 to HK\$2.1 million for the year ended 31 December 2018.

Our administrative expenses increased from HK\$4.6 million for the four months ended 30 April 2018 to HK\$14.6 million for the four months ended 30 April 2019, primarily attributable to (i) listing expenses of HK\$6.2 million incurred during the four months ended 30 April 2019; (ii) an increase in employee benefits expenses from HK\$2.4 million for the four months ended 30 April 2018 to HK\$3.6 million for the four months ended 30 April 2019 due to an increase in our average administrative headcount and salary increment; (iii) an increase in depreciation expenses from HK\$0.2 million for the four months ended 30 April 2018 to HK\$1.0 million for the four months ended 30 April 2019 due to the increase in depreciation on the right of use for our office rented in 2018 over the tenancy period and the leasehold improvement for our office; and (iv) an increase in legal and professional fee from HK\$15,000 for the four months ended 30 April 2018 to HK\$0.8 million for the four months ended 30 April 2019 primarily due to stamp duty paid in respect of the transfer of Mr. Pong's shares.

Finance income

Our finance income represents our interest income from bank deposits and amounted to HK\$0.3 million, HK\$0.4 million, HK\$0.7 million, HK\$0.2 million and HK\$0.2 million for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, respectively. During the Track Record Period, we maintained a majority of our funds as cash and cash equivalents in order to ensure adequate liquidity to cover the working capital needs for our daily operation from time to time. To satisfy the security requirement imposed by the banks for our banking facilities, we deposited some of our funds with the banks in the form of pledged deposits. After considering the working capital needs for our daily operation and the sufficiency of our funds, we also deposited a portion of our funds as short term time deposits for periods ranging from three months to six months, which generated higher interest income. The fluctuation in our finance income during the Track Record Period was primarily related to the level of pledged deposits required as security for our banking facilities and the level of time deposits we maintained from time to time. In particular, the increase in the pledged deposits as at 31 December 2018 was primarily attributable to the higher pledged deposits requirement for replacement of the security originally provided by charging the Wong's Property and Wai Yip Property, which were released after the disposal of these properties in 2018.

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Finance costs

Our finance costs represent our interest expenses arising from bank borrowings and, to a lesser extent, our lease liabilities. During the Track Record Period, we used bank borrowings to satisfy certain working capital needs, such as settling payments to our suppliers and procuring the issue of surety bonds. Therefore, the fluctuation in our finance costs during the Track Record Period was mainly related to the extent of bank borrowings that we relied on due to our working capital needs from time to time. Our finance costs increased from HK\$0.7 million for the year ended 31 December 2016 to HK\$1.2 million for the year ended 31 December 2017, primarily attributable to the short-term trade loans for the purchases of BMU system from Spain. Our finance costs decreased from HK\$1.2 million for the year ended 31 December 2017 to HK\$0.8 million for the year ended 31 December 2018, primarily attributable to the decrease in average bank borrowings. Our finance costs remained stable at HK\$0.2 million and HK\$0.2 million for the four months ended 30 April 2018 and 2019, respectively.

Income tax expense

Our income tax expense consists of current tax and deferred tax. The following table sets forth a breakdown of our income tax expense for the years/periods indicated:

	Year ended 31 December			Four months ended 30 April	
	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>	
Hong Kong Profits					
Tax					
Current tax	11,320	11,595	12,148	4,473	5,071
Deferred tax	9	(33)	(2)	(14)	(6)
Total	11,329	11,562	12,146	4,459	5,065

For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, we incurred income tax expense of HK\$11.3 million, HK\$11.6 million, HK\$12.1 million, HK\$4.5 million and HK\$5.1 million, respectively.

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Our effective tax rates, calculated as our income tax expense divided by our profit before income tax, were approximately 16.3%, 16.1%, 10.9%, 15.5% and 20.5% for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, respectively. Our effective income tax rate for the year ended 31 December 2018 was lower than the Hong Kong profits tax rate of 16.5%, primarily due to the effect of non-taxable income arising from the disposal of the Wong's Property and the Wai Yip Property, partially offset by the effect of non-deductible listing expenses incurred during the same year. Our effective income tax rate for the four months ended 30 April 2019 was higher than the Hong Kong profits tax rate of 16.5%, primarily due to the effect of non-deductible listing expenses incurred during the period.

Our Directors have confirmed that we have made all required tax filings in all relevant jurisdictions and paid all tax liabilities that have become due. We were not involved in any material tax dispute with respect to our income tax during the Track Record Period and up to the Latest Practicable Date.

PERIOD-TO-PERIOD COMPARISONS OF OUR RESULTS OF OPERATIONS

Four months ended 30 April 2019 compared to four months ended 30 April 2018

Revenue

Our revenue increased by approximately 9.4% from HK\$156.0 million for the four months ended 30 April 2018 to HK\$170.7 million for the four months ended 30 April 2019. This increase was primarily attributable to the increase in revenue from BMU system works, partially offset by the decrease in revenue from façade works. This increase in revenue from BMU system works was primarily attributable to the increase in number of projects which generated revenue of more than HK\$5 million from four for the four months ended 30 April 2018 to five for the four months ended 30 April 2019 while the decrease in revenue from façade works was primarily due to the decrease in revenue generated from projects F-12, F-2 and F-3, which were the three largest façade work projects by revenue during the four months ended 30 April 2018, partially offset by the increase in revenue generated from projects F-11 and F-14, which were the two largest façade work projects by revenue during the four months ended 30 April 2019.

Cost of sales

Our cost of sales increased by approximately 7.3% from HK\$123.4 million for the four months ended 30 April 2018 to HK\$132.4 million for the four months ended 30 April 2019. This increase was generally in line with the increase in our revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased from HK\$32.5 million for the four months ended 30 April 2018 to HK\$38.3 million for the four months ended 30 April 2019.

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Our gross profit margin increased slightly from 20.9% for the four months ended 30 April 2018 to 22.4% for the four months ended 30 April 2019. This increase was primarily due to the increase in gross profit margins of our BMU system works as a result of works performed for certain highly profitable projects during the four months ended 30 April 2019, including BMU-10, BMU-14 and BMU-16.

Other income

Our other income remained stable at HK\$0.7 million and HK\$0.7 million for the four months ended 30 April 2018 and 2019, respectively.

Other (losses)/gains, net

Our other (losses)/gains, net remained stable at HK\$0.2 million and HK\$0.2 million for the four months ended 30 April 2018 and 2019, respectively.

Administrative expenses

Our administrative expenses increased by approximately 217.4% from HK\$4.6 million for the four months ended 30 April 2018 to HK\$14.6 million for the four months ended 30 April 2019. This increase was primarily attributable to (i) the listing expenses incurred during the four months ended 30 April 2019; (ii) an increase in employee benefits expenses; (iii) an increase in depreciation expenses; and (iv) an increase in legal and professional fee.

Finance income

Our finance income remained stable at HK\$0.2 million and HK\$0.2 million for the four months ended 30 April 2018 and 2019, respectively.

Finance costs

Our finance costs remained stable at HK\$0.2 million and HK\$0.2 million for the four months ended 30 April 2018 and 2019, respectively.

Income tax expense

Our income tax expense increased from HK\$4.5 million for the four months ended 30 April 2018 to HK\$5.1 million for the four months ended 30 April 2019. This increase was primarily attributable to the increase in our profit before income tax excluding listing expenses.

Our effective tax rate increased from 15.5% for the four months ended 30 April 2018 to 20.5% for the four months ended 30 April 2019. Our effective income tax rate for the four months ended 30 April 2019 was higher than the Hong Kong profits tax rate of 16.5%, primarily due to the effect of non-deductible listing expenses incurred during the period.

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Profit for the period

Our profit for the period decreased by approximately 19.3% from HK\$24.4 million for the four months ended 30 April 2018 to HK\$19.7 million for the four months ended 30 April 2019. This decrease was primarily attributable to the listing expenses incurred during the four months ended 30 April 2019. Our net profit margin decreased from 15.6% for the four months ended 30 April 2018 to 11.5% for the four months ended 30 April 2019.

Year ended 31 December 2018 compared to year ended 31 December 2017

Revenue

Our revenue increased by approximately 10.0% from HK\$423.8 million for the year ended 31 December 2017 to HK\$466.1 million for the year ended 31 December 2018. This increase was primarily attributable to the increase in revenue from BMU system works, partially offset by the decrease in revenue from façade works. The increase in revenue from BMU system works was primarily attributable to the commencement of certain large-scale projects in the second half of 2017 and during the year ended 31 December 2018 which generated revenue of more than HK\$10 million for the year ended 31 December 2018 while the decrease in revenue from façade works was primarily attributable to (i) the decrease in revenue for projects which generated revenue of more than HK\$30 million for the year ended 31 December 2017; and (ii) the delay in main contractor's work schedule of project F-13 in 2018.

Cost of sales

Our cost of sales increased by approximately 11.3% from HK\$336.9 million for the year ended 31 December 2017 to HK\$375.0 million for the year ended 31 December 2018. This increase was generally in line with the increase in our revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit remained stable at HK\$86.9 million and HK\$91.1 million for the years ended 31 December 2017 and 2018, respectively.

Our gross profit margin decreased slightly from 20.5% for the year ended 31 December 2017 to 19.5% for the year ended 31 December 2018. This decrease was primarily due to the decrease in gross profit margins of our BMU system works as a result of fewer variation orders during the year ended 31 December 2018 and lower gross profit margins recorded for several projects located in Tai Po commenced during the year ended 31 December 2018, of which two of the projects generated revenue of more than HK\$10 million for the same year. The decrease was partially offset by the increase in proportion of revenue contributed by our BMU system works, which carried higher gross profit margins than façade works in general, from 29.1% for the year ended 31 December 2017 to 43.4% for the year ended 31 December 2018.

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Other income

Our other income remained stable at HK\$1.6 million and HK\$1.7 million for the years ended 31 December 2017 and 2018, respectively.

Other (losses)/gains, net

Our other (losses)/gains, net increased from HK\$75,000 for the year ended 31 December 2017 to HK\$44.4 million for the year ended 31 December 2018. This increase was primarily attributable to the gain on disposal of the Wong's Property and the Wai Yip Property during the year ended 31 December 2018.

Administrative expenses

Our administrative expenses increased by approximately 64.6% from HK\$15.8 million for the year ended 31 December 2017 to HK\$26.0 million for the year ended 31 December 2018. This increase was primarily attributable to (i) the listing expenses incurred during the year ended 31 December 2018; (ii) an increase in depreciation expenses; (iii) an increase in entertainment expenses; and (iv) an increase in other expenses.

Finance income

Our finance income increased from HK\$0.4 million for the year ended 31 December 2017 to HK\$0.7 million for the year ended 31 December 2018. This increase was primarily attributable to the increase in our average time deposits and pledged deposits, notwithstanding the decrease in our cash and cash equivalents, since our finance income was primarily attributable to the interest generated from our time deposits and pledged deposits.

Finance costs

Our finance costs decreased by approximately 33.3% from HK\$1.2 million for the year ended 31 December 2017 to HK\$0.8 million for the year ended 31 December 2018. This decrease was primarily attributable to the decrease in our average bank borrowings.

Income tax expense

Our income tax expense remained stable at HK\$11.6 million and HK\$12.1 million for the years ended 31 December 2017 and 2018, respectively.

Our effective tax rate decreased from 16.1% for the year ended 31 December 2017 to 10.9% for the year ended 31 December 2018. Our effective income tax rate for the year ended 31 December 2018 was lower than the Hong Kong profits tax rate of 16.5%, primarily due to the effect of non-taxable income arising from the disposal of the Wong's Property and the Wai Yip Property, partially offset by the effect of non-deductible listing expenses incurred during the same year.

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Profit for the year

Our profit for the year increased by approximately 63.7% from HK\$60.4 million for the year ended 31 December 2017 to HK\$98.9 million for the year ended 31 December 2018. This increase was primarily attributable to the increase in our other gains arising from the disposal of the Wong's Property and the Wai Yip Property.

Our net profit margin increased from 14.3% for the year ended 31 December 2017 to 21.2% for the year ended 31 December 2018.

Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

Our revenue decreased by approximately 11.9% from HK\$481.0 million for the year ended 31 December 2016 to HK\$423.8 million for the year ended 31 December 2017. This decrease was primarily attributable to the decrease in revenue from both façade works and BMU system works. The decrease in revenue from façade works was primarily attributable to the decrease in revenue recognised for project F-1 located in Sai Kung while the decrease in revenue from BMU system works was primarily attributable to the decrease in number of projects which generated revenue of more than HK\$10 million from four for the year ended 31 December 2016 to three for the year ended 31 December 2017, partially offset by the increase revenue generated from other BMU system work projects of smaller scale during the same year.

Cost of sales

Our cost of sales decreased by approximately 15.0% from HK\$396.5 million for the year ended 31 December 2016 to HK\$336.9 million for the year ended 31 December 2017. This decrease was generally in line with the decrease in our revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit slightly increased from HK\$84.6 million for the year ended 31 December 2016 to HK\$86.9 million for the year ended 31 December 2017.

Our gross profit margin increased from 17.6% for the year ended 31 December 2016 to 20.5% for the year ended 31 December 2017. This increase was primarily attributable to the increase in gross profit margin of our BMU system works as a result of more variation orders, which had relatively higher gross profit margins, during the year ended 31 December 2017.

Other income

Our other income remained stable at HK\$1.8 million and HK\$1.6 million for the years ended 31 December 2016 and 2017, respectively.

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Other (losses)/gains, net

We recorded other losses of HK\$1.4 million for the year ended 31 December 2016, which primarily represented the exchange losses arising from our RMB-denominated pledged deposits and settlement of our EUR-denominated trade payables. We recorded other gains of HK\$75,000 for the year ended 31 December 2017, which represented the exchange gains arising from our RMB-denominated pledged deposits offset by the exchange loss arising from our EUR-denominated bank borrowings.

Administrative expenses

Our administrative expenses increased by approximately 4.6% from HK\$15.1 million for the year ended 31 December 2016 to HK\$15.8 million for the year ended 31 December 2017. This increase was primarily attributable to the increase in our employee benefit expenses during the year ended 31 December 2017.

Finance income

Our finance income remained stable at HK\$0.3 million and HK\$0.4 million for the years ended 31 December 2016 and 2017, respectively.

Finance costs

Our finance costs increased by approximately 71.4% from HK\$0.7 million for the year ended 31 December 2016 to HK\$1.2 million for the year ended 31 December 2017. This increase was primarily attributable to the short-term trade loans for the purchases of BMU system from Spain.

Income tax expense

Our income tax expense remained stable at HK\$11.3 million and HK\$11.6 million for the years ended 31 December 2016 and 2017, respectively.

Our effective tax rate remained stable at 16.3% and 16.1% for the years ended 31 December 2016 and 2017, respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased from HK\$58.1 million for the year ended 31 December 2016 to HK\$60.4 million for the year ended 31 December 2017.

Our net profit margin increased from 12.1% for the year ended 31 December 2016 to 14.3% for the year ended 31 December 2017.

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DESCRIPTION OF CERTAIN ITEMS IN OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth a summary of our consolidated statements of financial position as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS				
Non-current assets				
Property, plant and equipment	7,498	7,049	6,207	5,367
Deferred income tax assets	412	442	436	439
Financial assets at fair value through other comprehensive income	24,322	33,081	28,300	30,320
Deposits, prepayments and other receivables	525	237	606	993
	<u>32,757</u>	<u>40,809</u>	<u>35,549</u>	<u>37,119</u>
Current assets				
Inventories	6,255	11,893	13,484	10,040
Trade and retention receivables	96,478	49,263	50,413	30,905
Contract assets	56,198	97,834	127,478	148,647
Deposits, prepayments and other receivables	1,558	4,848	21,290	9,291
Income tax recoverable	–	–	5,711	4,847
Amounts due from Directors	50	1,078	612	1,000
Pledged deposits	21,217	23,921	44,569	40,964
Time deposits	4,044	–	2,498	2,555
Restricted deposits	–	–	–	10,000
Cash and cash equivalents	158,298	181,457	70,124	45,120
	<u>344,098</u>	<u>370,294</u>	<u>336,179</u>	<u>303,369</u>
Total assets	<u><u>376,855</u></u>	<u><u>411,103</u></u>	<u><u>371,728</u></u>	<u><u>340,488</u></u>

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	As at 31 December			As at
	2016	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2019 <i>HK\$'000</i>
EQUITY				
Equity attributable to owners of our Company				
Share capital	–	–	–	–
Combined share capital	2,350	2,350	2,350	–
Reserves	144,649	202,695	229,238	242,915
	146,999	205,045	231,588	242,915
Non-controlling interests	24,429	33,960	34,852	–
Total equity	171,428	239,005	266,440	242,915
LIABILITIES				
Non-current liabilities				
Lease liabilities	37	–	2,032	1,327
Deferred income tax liabilities	34	31	23	20
Provisions	1,520	1,929	1,682	1,292
	1,591	1,960	3,737	2,639
Current liabilities				
Trade, bills and retention payables	69,442	69,297	37,956	43,006
Other payables and accruals	455	761	7,496	4,396
Dividend payable	1,000	–	–	–
Contract liabilities	81,110	52,048	39,568	23,378
Amounts due to Directors	58	–	80	21
Amount due to a related party	6,243	3,618	–	–
Income tax liabilities	17,945	25,969	2,732	6,939
Bank borrowings	25,110	15,842	8,856	12,347
Lease liabilities	73	37	2,030	2,072
Provisions	2,400	2,566	2,833	2,775
	203,836	170,138	101,551	94,934
Total liabilities	205,427	172,098	105,288	97,573
Total equity and liabilities	376,855	411,103	371,728	340,488

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Financial assets at fair value through other comprehensive income

We place great emphasis on maintaining a strong liquidity position to ensure sufficient working capital for our daily operation. From time to time, we may have more liquidity than is immediately needed for our daily operation according to our project schedules. To better utilise our cash surplus, we may invest them to earn low-risk returns, having considered (i) the working capital needs of our projects on hand; (ii) our liquidity position; and (iii) whether the investment is prudent and low-risk. For example, we may deposit our cash surplus with the banks as short term time deposits to earn higher interest income.

In or around 2016, there was discussion in the public about the cancellation of the MPF offsetting mechanism. Our Directors considered that we would face certain financial impact due to the extra contribution that we would be required to make if the MPF offsetting mechanism was cancelled and that we should take appropriate measures to mitigate such impact. During the year ended 31 December 2016, we used our cash surplus to purchase certain Hong Kong listed equity securities as part of our investment strategy to earn low-risk returns and to use the dividend income generated from such investments (but not the principal amount) to cover extra contribution in anticipation of the government's move to cancel the MPF offsetting mechanism. Our financial assets at fair value through other comprehensive income represent our investment in such listed equity securities. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, we recorded an increase in fair value of our listed equity investments of HK\$3.5 million, an increase in fair value of HK\$7.2 million, a decrease in fair value of HK\$6.5 million and an increase in fair value of HK\$1.3 million, respectively, all of which were recognised in our consolidated statements of comprehensive income and had no impact on our profit for the respective periods. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, we also recognised dividend income from our listed equity investments amounted to HK\$1.5 million, HK\$1.6 million, HK\$1.7 million and HK\$0.7 million, respectively, and a majority of the dividends received during the Track Record Period were reinvested in the listed securities for future growth. Based on the employment status of our staff as at 30 April 2019, it is estimated that we would be required to make an extra contribution of approximately HK\$6.4 million in the event that the MPF offsetting mechanism is cancelled, and the amount of such extra contribution may increase when more staff become eligible for long service payment in the future. As such extra contribution is not yet fully covered by the abovementioned dividend income of approximately HK\$5.5 million as recognised up to 30 April 2019, we will continue with our investment strategy to earn low-risk returns from such investments to mitigate the impact of such extra contribution. We currently have no intention to increase such investments and we will regularly review our investment strategy to ensure such investments will not deviate from the abovementioned purpose. For further details of our investment policies, please refer to the section headed "Business – Internal control and risk management – Investment management" in this prospectus.

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Inventories

During the Track Record Period, our inventories represented building materials and BMU systems to be transferred to the construction sites that are not available yet for commencement of installation works and amounted to HK\$6.3 million, HK\$11.9 million, HK\$13.5 million and HK\$10.0 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

The following table sets forth our inventory turnover days for the years/period indicated:

	Year ended 31 December			Four months ended
	2016	2017	2018	30 April 2019
	Average inventories (HK\$'000) ⁽¹⁾	4,792	9,074	12,689
Inventory turnover days (Days) ⁽²⁾	4.4	9.8	12.3	10.7

Notes:

- (1) Average inventories are the sum of the beginning and ending inventories for the relevant year/period divided by two.
- (2) The inventory turnover days for a year/period is the average inventory divided by cost of sales for that year/period and multiplied by (i) 366 days for the year ended 31 December 2016; or (ii) 365 days for the years ended 31 December 2017 and 2018; or (iii) 120 days for the four months ended 30 April 2019.

Our inventory turnover days were 4.4 days, 9.8 days, 12.3 days and 10.7 days for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively. We recorded relatively short inventory turnover days as our building materials and BMU systems are ordered on a project-by-project basis and are generally delivered to the construction sites directly from our suppliers.

As at the Latest Practicable Date, approximately HK\$8.8 million, representing approximately 87.2% of our inventories as at 30 April 2019 had been subsequently utilised.

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Trade and retention receivables

The following table sets forth a breakdown of our trade and retention receivables as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2019</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	75,876	24,766	24,260	9,144
Retention receivables	20,602	24,497	26,153	21,761
Total	96,478	49,263	50,413	30,905

During the Track Record Period, we applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade and retention receivables. To measure the expected credit losses, our trade and retention receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses were immaterial as at 31 December 2016, 2017 and 2018 and 30 April 2019.

The maximum exposure to credit risk was the carrying amounts of trade and retention receivables and we did not hold any collateral as security during the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019.

Trade receivables

Our trade receivables mainly represent the billed amount of progress payment receivables from our customers for the contract works performed by us. During the Track Record Period, we generally granted our customers a credit period of 30-60 days. The credit period we offer to our customers is determined on a customer-by-customer basis, after taking into account our business relationship with the customers' credit quality of the customers and our liquidity and level of unutilised banking facilities. In determining the recoverability of our trade receivables, we monitor the creditworthiness of the relevant customers and take into account a number of indicators including, among others, subsequent settlement status and historical write-off.

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The following sets forth an ageing analysis of our trade receivables based on invoice date as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2019</i>
				<i>HK\$'000</i>
0 – 30 days	55,520	16,458	20,763	6,484
31 – 60 days	9,592	5,732	1,354	1,615
61 – 90 days	7,734	201	773	512
91 – 180 days	1,132	1,409	335	383
Over 180 days	1,898	966	1,035	150
	Total			
	75,876	24,766	24,260	9,144

The decrease in our trade receivables from HK\$75.9 million as at 31 December 2016 to HK\$24.8 million as at 31 December 2017 was primarily driven by the progress billings made in December 2016 in respect of project F-6 which had been settled in 2017. Our trade receivables remained stable at HK\$24.8 million and HK\$24.3 million as at 31 December 2017 and 2018, respectively. The decrease in our trade receivables from HK\$24.3 million as at 31 December 2018 to HK\$9.1 million as at 30 April 2019 was primarily attributable to the settlement of trade receivables from our largest customer during the four months ended 30 April 2019.

As at the Latest Practicable Date, approximately HK\$8.6 million, representing approximately 93.6% of our trade receivables as at 30 April 2019 had been settled.

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Trade receivable turnover days

The following table sets forth our trade receivable turnover days for the years/period indicated:

	Year ended 31 December			Four months ended 30 April
	2016	2017	2018	2019
	Average trade receivables (HK\$'000) ⁽¹⁾	42,946	50,321	24,513
Trade receivable turnover days (Days) ⁽²⁾	32.7	43.3	19.2	11.7
Average adjusted receivable balance (HK\$'000) ⁽³⁾	120,047	149,887	162,494	178,722
Adjusted receivable turnover days (Days) ⁽⁴⁾	91.3	129.1	127.2	125.7

Notes:

- (1) Average trade receivables are the sum of the beginning and ending trade receivables for the relevant year/period divided by two.
- (2) The trade receivable turnover days for a year/period is the average trade receivables divided by revenue attributable to our external customers for that year/period and multiplied by (i) 366 days for the year ended 31 December 2016; (ii) 365 days for the years ended 31 December 2017 and 2018; or (iii) 120 days for the four months ended 30 April 2019.
- (3) Adjusted receivables comprise trade receivables, retention receivables and contract assets. Average adjusted receivables are the sum of the beginning and ending adjusted receivables for the relevant year/period divided by two.
- (4) The adjusted receivable turnover days for a year/period is the average adjusted receivables divided by revenue attributable to our external customers for that year/period and multiplied by (i) 366 days for the year ended 31 December 2016; (ii) 365 days for the years ended 31 December 2017 and 2018; or (iii) 120 days for the four months ended 30 April 2019.

The increase in our trade receivable turnover days from 32.7 days for the year ended 31 December 2016 to 43.3 days for the year ended 31 December 2017 was primarily due to the increase in our average trade receivable balance for the year ended 31 December 2017. The decrease in our trade receivable turnover days from 43.3 days for the year ended 31 December 2017 to 19.2 days for the year ended 31 December 2018 was primarily due to the larger average trade receivable balance relative to the revenue generated from the corresponding years for the year ended 31 December 2017 as compared to that for the year ended 31 December 2018 as a result of the progress billings made in December 2016 in respect of project F-6 which resulted in material trade receivable balance as at 31 December 2016. The decrease in our trade receivable turnover days from 19.2 days for the year ended 31 December 2018 to 11.7 days for the four months ended 30 April 2019 was primarily due to the settlement of trade receivables from our largest customer during the four months ended 30 April 2019.

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Our adjusted receivable turnover days, which take into account our trade receivables, retention receivables and contract assets, were 91.3 days, 129.1 days, 127.2 days and 125.7 days for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively. The increase in adjusted receivable turnover days from 91.3 days for the year ended 31 December 2016 to 129.1 days for the year ended 31 December 2017 was primarily due to the lower average adjusted receivable balance for the year ended 31 December 2016 as a result of faster certification and settlement from the customer of project F-1, which contributed a significant portion of total revenue for the years ended 31 December 2015 and 2016. Our adjusted receivable turnovers remained relatively stable during the years ended 31 December 2017 and 2018 and the four months ended 30 April 2019.

Retention receivables

Our retention receivables are unsecured, interest-free and recoverable at the end of the defects liability period of individual contract, usually ranging from 12 months to 24 months from the date of the completion of the respective projects. The following sets forth an ageing analysis of our retention receivables based on the terms of related contracts:

	As at 31 December			As at
	2016	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2019</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Will be recovered within 12 months	5,584	15,199	18,940	13,028
Will be recovered more than 12 months after the end of the year/period	15,018	9,298	7,213	8,733
Total	20,602	24,497	26,153	21,761

As at the Latest Practicable Date, approximately HK\$4.9 million, representing approximately 22.5% of our retention receivables as at 30 April 2019 had been settled.

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Contract assets/(liabilities)

	<u>As at 31 December</u>			As at
	2016	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2019
				<i>HK\$'000</i>
Contract assets relating to façade work construction contracts	24,970	51,698	58,086	48,819
Contract assets relating to BMU system construction contracts	<u>31,228</u>	<u>46,136</u>	<u>69,392</u>	<u>99,828</u>
Total contract assets	<u><u>56,198</u></u>	<u><u>97,834</u></u>	<u><u>127,478</u></u>	<u><u>148,647</u></u>
Contract liabilities relating to façade work construction contracts	70,474	36,064	30,590	18,164
Contract liabilities relating to BMU system construction contracts	<u>10,636</u>	<u>15,984</u>	<u>8,978</u>	<u>5,214</u>
Total contract liabilities	<u><u>81,110</u></u>	<u><u>52,048</u></u>	<u><u>39,568</u></u>	<u><u>23,378</u></u>

Our total contract assets increased from HK\$56.2 million as at 31 December 2016 to HK\$97.8 million as at 31 December 2017, due to (i) the increase in contract assets relating to façade works by HK\$26.7 million; and (ii) the increase in contract assets relating to BMU system works by HK\$14.9 million. The increase in contract assets relating to façade works was mainly attributable to the contract assets of projects F-1, F-12 and F-17, which were not yet billed as at 31 December 2017 mainly because the costs incurred and the work performed were pending to be certified by the customers as at that date. The increase in contract assets relating to BMU system works was mainly attributable to the contract assets of projects BMU-5, BMU-18, BMU-21 and BMU-28, which were not yet billed as at 31 December 2017 mainly because the progress of these projects had not reached the relevant milestones for applying for the next progress payments as at that date.

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Our total contract assets increased from HK\$97.8 million as at 31 December 2017 to HK\$127.5 million as at 31 December 2018, due to (i) the increase in contract assets relating to façade works by HK\$6.4 million; and (ii) the increase in contract assets relating to BMU system works by HK\$23.3 million. The increase in contract assets relating to façade works was mainly attributable to the contract assets of project F-11, which were not yet billed as at 31 December 2018 mainly because the costs incurred and the work performed were pending to be certified by the customers as at that date. The increase in contract assets relating to BMU system works was mainly attributable to the contract assets of projects BMU-11, BMU-12, BMU-19, BMU-20 and BMU-27, which were not yet billed as at 31 December 2018 mainly because the progress of these projects had not reached the relevant milestones for applying for the next progress payments as at that date.

Our total contract assets increased from HK\$127.5 million as at 31 December 2018 to HK\$148.6 million as at 30 April 2019, primarily due to the increase in contract assets relating to BMU system works by HK\$30.4 million. The increase in contract assets relating to BMU system works was mainly attributable to the contract assets of projects BMU-13 and BMU-17, which the relevant works were performed but not yet billed as at 30 April 2019. Such billings are to be made when the application of surety bonds for these projects is substantially completed in accordance with the requirement of the respective construction contracts.

Contract assets as at 30 April 2019

As at the Latest Practicable Date, approximately HK\$87.5 million, representing approximately 58.9% of our total contract assets as at 30 April 2019 was subsequently billed, of which approximately HK\$80.5 million, representing approximately 54.1% of our total contract assets as at 30 April 2019 was subsequently settled.

Among the approximately HK\$61.1 million, representing approximately 41.1% of our total contract assets as at 30 April 2019 which was not yet billed as at the Latest Practicable Date, approximately HK\$17.1 million was related to façade works and approximately HK\$44.0 million was related to BMU system works. Such contract assets were not yet billed as at the Latest Practicable Date primarily because the preconditions for billing our customers were not yet fulfilled, including (i) the costs incurred and the work performed in some projects were pending to be certified by our customers; (ii) the construction sites in some projects were not yet available for the testing and commissioning procedures to be performed for the BMU systems that had been installed; (iii) some projects were pending the issuance of the handover certificate, which depends on the overall construction plan of the relevant main contractor and property owner; and (iv) some projects were at the final account assessment stage and pending the customers' assessment of the overall value of work performed by us and the outstanding payments payable to us.

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The following table sets forth a breakdown of the ten largest façade work projects by the amount of contract assets as at 30 April 2019:

Project Code	Location	Amount of contract asset as at 30 April 2019	Contract asset subsequently billed up to the Latest Practicable Date			Contract asset subsequently settled up to the Latest Practicable Date	
		HK\$'000	HK\$'000	%	HK\$'000	%	
1 F-11	Yuen Long	11,855	11,855	100.0	11,855	100.0	
2 F-14	Sham Shui Po	7,359	5,498	74.7	5,498	74.7	
3 F-2	North Point	3,795	–	–	–	–	
4 F-13	Tai Wai	3,424	3,424	100.0	3,424	100.0	
5 F-20	Mid-Levels	3,331	1,993	59.8	1,993	59.8	
6 F-18	To Kwa Wan	2,932	2,932	100.0	2,932	100.0	
7 F-4	Deep Water Bay	2,837	236	8.3	236	8.3	
8 F-72	Yuen Long	2,724	–	–	–	–	
9 F-73	Discovery Bay	2,196	2,196	100.0	2,196	100.0	
10 F-17	Discovery Bay	1,776	1,210	68.1	1,210	68.1	
Others ⁽¹⁾		6,590	2,397	36.4	2,397	36.4	
Total		48,819	31,741	65.0	31,741	65.0	

Note:

(1) Others consisted of 18 façade projects.

As at the Latest Practicable Date, approximately HK\$31.7 million, representing approximately 65.0% of our total contract assets relating to our façade works as at 30 April 2019 was subsequently billed, of which HK\$31.7 million, representing approximately 65.0% of our total contract assets relating to our façade works as at the same date was subsequently settled. Notwithstanding the contract works performed by us, certain of our works were not subsequently billed up to the Latest Practicable Date, details and reasons for such late payment application or certification of our façade projects with material unbilled contract assets are set out set follows:

The amount of contract assets attributable to project F-2 was HK\$3.8 million as at 30 April 2019 (representing approximately 5.1% of the awarded contract sum), which had not been billed up to the Latest Practicable Date. This project was practically completed in June 2018 and received work orders for minor touch up in 2019. The delay in billing such contract assets was primarily because this project was at the final account assessment stage and there was a delay in the customer's assessment of the overall value of the work performed by us and the outstanding payments payable to us, which was beyond our control and not caused by any delay or fault on our part.

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The amount of contract assets attributable to project F-4 was HK\$2.8 million as at 30 April 2019, of which HK\$2.6 million (representing approximately 4.6% of the awarded contract sum) had not been billed up to the Latest Practicable Date. This project was practically completed in December 2017 and received work orders for minor touch up in 2019. The delay in billing such contract assets was primarily because this project was at the final account assessment stage and there was a delay in the customer's assessment of the overall value of the work performed by us and the outstanding payments payable to us, which was beyond our control and not caused by any delay or fault on our part.

The amount of contract assets attributable to project F-72 was HK\$2.7 million as at 30 April 2019 (representing approximately 3.8% of the awarded contract sum), which had not been billed up to the Latest Practicable Date. This project was practically completed in May 2017 and received work orders for minor touch up in 2018 and 2019. The delay in billing such contract assets was primarily because this project was at the final account assessment stage and there was a delay in the customer's assessment of the overall value of the work performed by us and the outstanding payments payable to us, which was beyond our control and not caused by any delay or fault on our part.

The following table sets forth a breakdown of the ten largest BMU system work projects by the amount of contract assets as at 30 April 2019:

Project Code	Location	Amount of contract asset as at 30 April 2019	Contract asset subsequently billed up to the Latest Practicable Date		Contract asset subsequently settled up to the Latest Practicable Date		
		HK\$'000	HK\$'000	%	HK\$'000	%	
1	BMU-17	Tai Po	14,013	11,120	79.4	10,264	73.2
2	BMU-13	Tai Po	10,170	10,170	100.0	10,170	100.0
3	BMU-15	Sham Shui Po	6,524	3,990	61.2	3,990	61.2
4	BMU-29	Tung Chung	4,845	4,283	88.4	–	–
5	BMU-11	Tai Po	3,916	3,392	86.6	3,392	86.6
6	BMU-20	Happy Valley	3,267	3,267	100.0	3,267	100.0
7	BMU-25	Tseung Kwan O	2,706	1,127	41.6	1,127	41.6
8	BMU-10	Yuen Long	2,667	2,667	100.0	2,667	100.0
9	BMU-12	Tai Po	2,631	1,000	38.0	1,000	38.0
10	BMU-19	North Point	2,558	1,553	60.7	1,553	60.7
	Others ⁽¹⁾		46,531	13,194	28.4	11,308	24.3
Total			99,828	55,763	55.9	48,738	48.8

Note:

- (1) Others consisted of 102 BMU system work projects, among which 15 projects had contract assets as at 30 April 2019 ranged from HK\$1,000,000 to HK\$2,500,000; 15 projects had contract assets as at 30 April 2019 ranged from HK\$500,000 to HK\$999,999; 36 projects had contract assets as at 30 April 2019 ranged from HK\$100,000 to HK\$499,999; and 36 projects had contract assets as at 30 April 2019 less than HK\$100,000.

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As at the Latest Practicable Date, approximately HK\$55.8 million, representing approximately 55.9% of our total contract assets relating to our BMU system works as at 30 April 2019 was subsequently billed, of which HK\$48.7 million, representing approximately 48.8% of our total contract assets relating to our BMU system works as at the same date was subsequently settled. Notwithstanding the contract works performed by us, certain of our works were not subsequently billed up to the Latest Practicable Date, details and reasons for such late payment application or certification of our BMU system projects with material contract assets unbilled are set out set follows:

The amount of contract assets attributable to project BMU-17 was HK\$14.0 million as at 30 April 2019, of which HK\$2.9 million had not been billed as at the Latest Practicable Date as the progress of this project had not yet reached the next milestone for billing (i.e. pending handover of the BMU systems).

The amount of contract assets attributable to project BMU-15 was HK\$6.5 million as at 30 April 2019, of which HK\$2.5 million had not been billed up to the Latest Practicable Date as the progress of this project had not yet reached the next milestone for billing (i.e. pending handover of the BMU systems).

The amount of contract assets attributable to project BMU-29 was HK\$4.8 million as at 30 April 2019, of which HK\$0.6 million had not been billed up to the Latest Practicable Date as the progress of this project had not yet reached the next milestone for billing (i.e. pending the testing and commissioning procedure for certain BMU systems that had been installed.)

The amount of contract assets attributable to project BMU-25 was HK\$2.7 million as at 30 April 2019, of which HK\$1.6 million had not been billed up to the Latest Practicable Date as the progress of this project had not yet reached the next milestone for billing (i.e. pending handover of the BMU systems).

The amount of contract assets attributable to project BMU-12 was HK\$2.6 million as at 30 April 2019, of which HK\$1.6 million had not been billed up to the Latest Practicable Date as the progress of this project had not yet reached the next milestone for billing (i.e. pending handover of the BMU systems).

The amount of contract assets attributable to project BMU-19 was HK\$2.6 million as at 30 April 2019, of which HK\$1.0 million had not been billed up to the Latest Practicable Date as the progress of this project had not yet reached the next milestone for billing (i.e. pending handover of the BMU systems).

Our Directors confirm that the Group does not have any material difficulty or dispute with the customers with respect to the subsequent billing or settlement of the Group's outstanding contract assets.

FINANCIAL INFORMATION

Deposits, prepayments and other receivables

The following table sets forth a breakdown of our deposits, prepayments and other receivables as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Deposits and other receivables	525	237	579	617
Prepayments	–	–	27	376
	525	237	606	993
Current assets				
Deposits and other receivables	609	452	271	194
Prepaid listing expenses	–	–	2,394	4,083
Prepayments for construction materials	164	2,827	16,168	3,136
Other prepayments	785	1,569	2,457	1,878
	1,558	4,848	21,290	9,291
Total	2,083	5,085	21,896	10,284

Deposits and other receivables

Our deposits and other receivables primarily represent advances to our employees, rental deposits, utility deposits and other miscellaneous deposits. Our deposits and other receivables decreased from HK\$1.1 million as at 31 December 2016 to HK\$0.7 million as at 31 December 2017, primarily due to the decrease in advances to our employees. Our deposits and other receivables remained stable at HK\$0.7 million and HK\$0.9 million as at 31 December 2017 and 2018, respectively. Our deposits and other receivables remained stable at HK\$0.9 million and HK\$0.8 million as at 31 December 2018 and 30 April 2019, respectively.

FINANCIAL INFORMATION

Prepayments

Our prepayments primarily represent our advance payments to our suppliers for materials for design and build projects and listing expenses. Our prepayments increased from HK\$0.9 million as at 31 December 2016 to HK\$4.4 million as at 31 December 2017, primarily due to certain prepayments for materials not delivered in relation to our BMU systems as at 31 December 2017. Our prepayments increased from HK\$4.4 million as at 31 December 2017 to HK\$21.0 million as at 31 December 2018, primarily due to increase in prepayments for purchases of BMU system as at 31 December 2018 as compared to 31 December 2017. Our prepayments decreased from HK\$21.0 million as at 31 December 2018 to HK\$9.5 million as at 30 April 2019, primarily due to the delivery of the aforementioned BMU systems in February 2019, partially offset by the increase in prepaid listing expenses.

Amounts due from or to Directors and a related party

The following table sets forth a breakdown of our amounts due from/to Directors and a related party as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets				
Amounts due from Directors:				
– Mr. Kwan	50	28	–	–
– Mr. Mak	–	1,050	612	1,000
	<u>50</u>	<u>1,078</u>	<u>612</u>	<u>1,000</u>
Current liabilities				
Amounts due to Directors:				
– Mr. Kwan	–	–	(80)	(21)
– Mr. Mak	(58)	–	–	–
	<u>(58)</u>	<u>–</u>	<u>(80)</u>	<u>(21)</u>
Amount due to a related party:				
– Acme Gondola Macau (as defined below in this section)	6,243	3,618	–	–
	<u>6,243</u>	<u>3,618</u>	<u>–</u>	<u>–</u>

FINANCIAL INFORMATION

Our amounts due from or to Directors and a related party were unsecured, interest-free, repayable on demand and had been settled as at the Latest Practicable Date.

For further details, please refer to “Accountant’s Report – Notes to the historical financial information – 31. Related parties transactions” in Appendix I to this prospectus.

Pledged deposits

Our pledged deposits represent deposits pledged to banks to secure the banking facilities granted to our Group and amounted to HK\$21.2 million, HK\$23.9 million, HK\$44.6 million and HK\$41.0 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. The increase in our pledged deposits as at 31 December 2018 was primarily due to the increase in amount of pledged deposits required by the banks as a result of the disposal of the leasehold land and buildings, which were used as part of our security for the banking facilities as at 31 December 2016 and 2017.

Time deposits

Our time deposits represent deposits with original maturities of three months or more and amounted to HK\$4.0 million, HK\$nil, HK\$2.5 million and HK\$2.6 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

Restricted deposits

Our restricted deposits as at 30 April 2019 were held by a bank as an undertaking of a waiver from the compliance with a provision clause under the banking facilities and will be released by 31 December 2019.

Trade, bills and retention payables

The following table sets forth a breakdown of our trade, bills and retention payables as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	56,831	60,622	29,078	33,072
Bills payables	–	744	625	147
Retention payables	12,611	7,931	8,253	9,787
Total	69,442	69,297	37,956	43,006

FINANCIAL INFORMATION

Trade payables

Our trade payables primarily arise from purchase of materials and works performed by our subcontractors for our projects. Our suppliers generally offer us a credit period of 30 days from the invoice date. Our trade payables remained stable at HK\$56.8 million and HK\$60.6 million as at 31 December 2016 and 2017, respectively. The decrease in our trade payables from HK\$60.6 million as at 31 December 2017 to HK\$29.1 million as at 31 December 2018 was primarily due to the settlement of an overdue trade payable to one of our major material suppliers during the year ended 31 December 2018. Our trade payables increased from HK\$29.1 million as at 31 December 2018 to HK\$33.1 million as at 30 April 2019. The increase was primarily due to the increase in trade payable to one of our major suppliers for two BMU system work projects.

Trade payable turnover days

The following table sets forth our trade payable turnover days for the years/period indicated:

	Year ended 31 December			Four months ended 30 April 2019
	2016	2017	2018	
Average trade payables and bills payables (HK\$'000) ⁽¹⁾	56,766	59,099	45,535	31,461
Trade payable turnover days (Days) ⁽²⁾	<u>52.4</u>	<u>64.0</u>	<u>44.3</u>	<u>28.5</u>

Notes:

- (1) Average trade payables and bills payables are the sum of the beginning and ending trade payables and bills payables for the relevant year/period divided by two.
- (2) The trade payable turnover days for a year/period is the average trade payables and bills payables divided by cost of sales for that year/period and multiplied by (i) 366 days for the year ended 31 December 2016; or (ii) 365 days for the years ended 31 December 2017 and 2018; or (iii) 120 days for the four months ended 30 April 2019.

FINANCIAL INFORMATION

The increase in our trade payable turnover days from 52.4 days for the year ended 31 December 2016 to 64.0 days for the year ended 31 December 2017 was primarily due to the increase in our trade payables as at 31 December 2017 as we purchased more construction materials and subcontracting services in November and December 2017 as compared to the same period in 2016. The decrease in our trade payable turnover days from 64.0 days for the year ended 31 December 2017 to 44.3 days for the year ended 31 December 2018 was primarily due to the settlement of a overdue trade payable to one of our major material suppliers during the year ended 31 December 2018. The decrease in our trade payable turnover days from 44.3 days for the year ended 31 December 2018 to 28.5 days for the four months ended 30 April 2019 was primarily due to the decrease in average trade payables upon the settlement of the aforementioned overdue due balance during the year ended 31 December 2018.

Ageing analysis on trade payables

The following table sets forth an ageing analysis of our trade payables based on the invoice date as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	28,702	25,455	21,977	31,588
31 – 60 days	8,620	12,852	6,342	161
61 – 90 days	66	156	–	1,028
91 – 120 days	1,848	163	759	10
Over 120 days	17,595	21,996	–	285
Total	56,831	60,622	29,078	33,072

As at the Latest Practicable Date, approximately HK\$32.0 million, representing approximately 96.7% of our trade payables as at 30 April 2019 had been settled.

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Retention payables

Our retention payables are settled in accordance with the terms of the respective contracts. The terms varies from contracts to contracts and timing of the release of the retention payables is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The following sets forth an ageing analysis of our retention payables based on the terms of related contracts:

	As at 31 December			As at
	2016	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2019
				<i>HK\$'000</i>
Will be settled within				
12 months	1,541	2,089	3,485	3,757
Will be settled more than				
12 months after the end of				
the year	11,070	5,842	4,768	6,030
Total	12,611	7,931	8,253	9,787

As at the Latest Practicable Date, approximately HK\$3.7 million, representing approximately 37.4%, of our retention payables as at 30 April 2019 had been settled.

Other payables and accruals

Our other payables and accruals primarily represent general and administrative expenses payable, bonus accrual and accrued listing expenses. Our other payables and accruals remained stable at HK\$0.5 million and HK\$0.8 million as at 31 December 2016 and 2017, respectively. Our other payables and accruals increased to HK\$7.5 million as at 31 December 2018, primarily attributable to the increase in accrued staff costs due to the increase in bonus accrual as at 31 December 2018 and the increase in accrued listing expenses. Our other payables and accruals decreased from HK\$7.5 million as at 31 December 2018 to HK\$4.4 million as at 30 April 2019, primarily attributable to the settlement of bonus accruals during the four months ended 30 April 2019, partially offset by the increase in accrued listing expenses.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The following table sets forth a summary of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 April 2019	As at 31 August 2019
	2016	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Current assets					
Inventories	6,255	11,893	13,484	10,040	2,771
Trade and retention receivables	96,478	49,263	50,413	30,905	34,454
Contract assets	56,198	97,834	127,478	148,647	148,961
Deposits, prepayments and other receivables	1,558	4,848	21,290	9,291	11,580
Income tax recoverable	–	–	5,711	4,847	4,186
Amounts due from Directors	50	1,078	612	1,000	–
Pledged deposits	21,217	23,921	44,569	40,964	40,795
Time deposits	4,044	–	2,498	2,555	2,440
Restricted deposits	–	–	–	10,000	10,000
Cash and cash equivalents	158,298	181,457	70,124	45,120	31,892
	<u>344,098</u>	<u>370,294</u>	<u>336,179</u>	<u>303,369</u>	<u>287,079</u>
Current liabilities					
Trade, bills and retention payables	69,442	69,297	37,956	43,006	28,746
Other payables and accruals	455	761	7,496	4,396	10,066
Dividend payable	1,000	–	–	–	–
Contract liabilities	81,110	52,048	39,568	23,378	13,272
Amounts due to Directors	58	–	80	21	–
Amount due to a related party	6,243	3,618	–	–	–
Income tax liabilities	17,945	25,969	2,732	6,939	9,540
Bank borrowings	25,110	15,842	8,856	12,347	3,082
Lease liabilities	73	37	2,030	2,072	2,114
Provisions	2,400	2,566	2,833	2,775	2,798
	<u>203,836</u>	<u>170,138</u>	<u>101,551</u>	<u>94,934</u>	<u>69,618</u>
Net current assets	<u>140,262</u>	<u>200,156</u>	<u>234,628</u>	<u>208,435</u>	<u>217,461</u>

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We recorded net current assets of HK\$140.3 million, HK\$200.2 million, HK\$234.6 million, HK\$208.4 million and HK\$217.5 million as at 31 December 2016, 2017 and 2018, 30 April 2019 and 31 August 2019, respectively.

Our net current assets increased from HK\$140.3 million as at 31 December 2016 to HK\$200.2 million as at 31 December 2017, primarily attributable to the increase in our net contract assets and cash and cash equivalents generated from our operations.

Our net current assets increased from HK\$200.2 million as at 31 December 2017 to HK\$234.6 million as at 31 December 2018, primarily attributable to the decrease in our trade, bills and retention payables and contract liabilities and the settlement of tax liabilities, partially offset by the payment of dividends to our Shareholders during the year ended 31 December 2018.

Our net current assets decreased from HK\$234.6 million as at 31 December 2018 to HK\$208.4 million as at 30 April 2019, primarily attributable to dividend declared by Acme Metal on 1 February 2019 amounted to HK\$45.0 million.

Our net current assets remained stable at HK\$208.4 million and HK\$217.5 million as at 30 April 2019 and 31 August 2019, respectively.

INDEBTEDNESS

The following table sets forth our outstanding debts as at the dates indicated:

	As at 31 December			As at 30 April 2019	As at 31 August 2019
	2016	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(unaudited)</i>
Non-current liabilities					
Lease liabilities	37	–	2,032	1,327	608
Current liabilities					
Bank borrowings	25,110	15,842	8,856	12,347	3,082
Lease liabilities	73	37	2,030	2,072	2,114
Total indebtedness	25,220	15,879	12,918	15,746	5,804

FINANCIAL INFORMATION

Bank borrowings

The following table sets forth a breakdown of our bank borrowings as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 August
	2016	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Secured					
Term loan with a repayment on demand clause	62	–	–	–	–
Import loans with repayment on demand clauses	25,048	15,842	8,856	12,347	3,082
Total	<u>25,110</u>	<u>15,842</u>	<u>8,856</u>	<u>12,347</u>	<u>3,082</u>

The following table sets forth our weighted effective interest rates as at the date indicated:

	As at 31 December			As at 30 April	As at 31 August
	2016	2017	2018	2019	2019
	%	%	%	%	%
Term loan	2.95	N/A	N/A	N/A	N/A
Import loans	5.75	4.68	2.78	5.70	6.13

During the Track Record Period, we used proceeds from bank borrowings to finance our working capital requirement and capital expenditure. Our bank borrowings as at 31 December 2016 and 2017 were secured by (i) personal guarantee by Mr. Kwan, Mr. Mak, Mr. Pong and Mr Poon; (ii) buildings and properties held by us; and (iii) our pledged bank deposits. Our bank borrowings as at 31 December 2018, 30 April 2019 and 31 August 2019 were secured by (i) personal guarantee by Mr. Kwan, Mr. Mak, Mr. Pong and Mr. Poon; and (ii) our pledged bank deposits.

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As at 31 December 2016, 2017 and 2018, 30 April 2019 and 31 August 2019, we had unutilised banking facilities of HK\$77.2 million, HK\$97.2 million, HK\$65.8 million, HK\$19.6 million and HK\$27.4 million, respectively. The security and guarantees provided by Mr. Kwan, Mr. Mak, Mr. Pong and Mr. Poon as at 31 December 2016, 2017 and 2018 and by Mr. Kwan, Mr. Mak, and Mr. Poon as at 30 April 2019 to the relevant lenders for these borrowings will be released and replaced by our Group's corporate guarantee upon Listing.

Our Directors have confirmed that there had not been any delay or default in the repayment of borrowings or material non-compliance with the covenants or requirements contained in our borrowing agreements that affect the renewal of such borrowing throughout the Track Record Period and up to the Latest Practicable Date. Our Directors do not expect that such covenants and requirements would materially restrict our overall ability to undertake additional debt or equity financing necessary to carry out our business plans.

Lease liabilities

During the Track Record Period, we leased certain of our property, plant and equipment under finance leases. The following table sets forth our lease liabilities as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 August
	2016	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Within one year	73	37	2,030	2,072	2,114
After one year but within two years	37	–	2,032	1,327	608
Total	110	37	4,062	3,399	2,722

The original lease term for the leases entered into by us that were outstanding as at 31 December 2016, 2017 and 2018 and 30 April 2019 were three years, three years, two to three years and two to three years, respectively. The interest rate of each lease was fixed at its contract date, and the interest rates of all the lease liabilities were 3%, 3%, 6% and 6% per annum as at 31 December 2016, 2017 and 2018 and 30 April 2019 respectively.

FINANCIAL INFORMATION

CONTINGENT LIABILITIES

As at 31 December 2016, 2017 and 2018 and 30 April 2019, we had contingent liabilities amounted to HK\$17.2 million, HK\$16.7 million, HK\$16.4 million and HK\$16.9 million, respectively, in respect of the surety bonds in favour of our customers arising from certain construction contracts entered into in the ordinary course of our business. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

During the year ended 31 December 2018, we received a claim from a customer for damages of approximately HK\$3.4 million in relation to an accident in which it was alleged that the BMU system of this customer collided with and damaged the building on which it was mounted and that this customer and certain third parties had suffered losses as a result. In the same year, this customer terminated our BMU system maintenance contract with it, alleging that we were in breach of the contract. The contract sum of the BMU system maintenance contract was less than HK\$0.3 million. As at the Latest Practicable Date, as the claim is still at a preliminary stage, our Directors are of the opinion that the final outcome cannot be determined at this stage and believe that our Group has reasonable ground to defend the claim. For the three years ended 31 December 2018 and the four months ended 30 April 2019, our revenue contributed by this customer was approximately HK\$0.2 million, HK\$0.1 million, HK\$0.1 million and nil, representing approximately 0.03%, 0.03%, 0.03% and nil of our total revenue during such periods, respectively. Considering that (i) we have maintained third party insurance for the said accident with a maximum limit of indemnity of HK\$20 million per claim; and (ii) the amount of the claim, the contract sum of the BMU system maintenance contract and the revenue contribution of this customer were not significant as compared with our total revenue for the Track Record Period, our Directors are of the view that the claim and the termination of the BMU system maintenance contract do not have any material adverse impact on our operations and financial performance. Save as the aforementioned claim, we are not currently involved in other significant litigations.

Our Directors have confirmed that there has not been any material adverse change in our contingent liabilities since 31 August 2019 and up to the Latest Practicable Date.

STATEMENT OF INDEBTEDNESS

Bank borrowings and lease liabilities

As at 31 August 2019, being the latest practicable date for our statement of indebtedness, we had bank borrowings of HK\$3.1 million and lease liabilities of HK\$2.7 million. The bank borrowings are secured by our pledged deposit of HK\$40.8 million and guaranteed jointly and severally by our Directors which the guarantee will be fully released upon the Listing. The lease liabilities are unsecured.

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Contingent liabilities

As at 31 August 2019, being the latest practicable date for our statement of indebtedness, we had contingent liabilities for (i) the surety bonds of HK\$18.5 million which our Group provided guarantees in respect of construction contracts of our Group in its ordinary course of business; and (ii) a claim of HK\$3.4 million from a customer for damages.

Save as disclosed in this section and Appendix I to this prospectus, we did not have any bank loans or other borrowings, or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as at the Latest Practicable Date. Our Directors have confirmed that there has not been any material change in our indebtedness since 31 August 2019 and up to the Latest Practicable Date.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have historically financed our operations through bank borrowings and internal resources. As at 30 April 2019, we had cash and cash equivalents of HK\$45.1 million to fund our future working capital, capital expenditure and other cash requirements.

Our future cash requirements will depend on many factors, including our operating income and capital expenditure on expansion of our operations. Our current debt may reduce our liquidity and place some limitations on our ability to fund capital expenditures to support our expansion.

Following completion of the Global Offering, we expect to fund our future working capital, capital expenditure and other cash requirements from our internal resources, bank borrowings, and the estimated net proceeds from the Global Offering. Our ability to fund our working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flow, which are in turn subject to the prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control. Any future significant acquisition or expansion may require additional capital, and we cannot assure you that such capital will be available to us on acceptable terms, if at all. During the Track Record Period, we did not experience any liquidity shortage.

Working capital sufficiency

After taking into consideration the financial resources available to us, including our internally generated funds, available bank facilities, bank balances and cash on hand, operating cash flows and the estimated net proceeds from the Global Offering, our Directors are of the opinion that we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

FINANCIAL INFORMATION

SUMMARY OF OUR CASH FLOWS

The following table sets forth a summary of our consolidated statements of cash flows for the years/periods indicated:

	Year ended 31 December			Four months ended 30 April	
	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>
Operating cash flows before movements in working capital	69,930	67,721	66,708	27,102	25,725
Net cash generated from/(used in) operating activities	22,804	30,584	(63,836)	29,366	25,332
Net cash (used in)/generated from investing activities	(23,518)	4,170	(3,208)	130	(326)
Net cash generated from/(used in) financing activities	19,550	(14,322)	(43,006)	(35,116)	(49,707)
Net increase/(decrease) in cash and cash equivalents	18,836	20,432	(110,050)	(5,620)	(24,701)
Cash and cash equivalents at the beginning of the year/period	139,656	158,298	181,457	181,457	70,124
Effect of foreign exchange rate changes	(194)	2,727	(1,283)	657	(303)
Cash and cash equivalents at the end of the year/period	<u>158,298</u>	<u>181,457</u>	<u>70,124</u>	<u>176,494</u>	<u>45,120</u>

FINANCIAL INFORMATION

Cash flows in relation to our operating activities

During the Track Record Period, the cash inflows from our operating activities were primarily from the receipt of payments from contract works, while the cash outflows for our operating activities were primarily attributable to (i) the payment for purchases of materials and subcontracting services; (ii) the payments of staff costs; and (iii) the payments for other working capital needs. Cash flows from operating activities can be significantly affected by factors such as the timing of collection of trade and retention receivables from our customers and the timing of payment of trade and retention payables to suppliers during the ordinary course of our business, which also primarily accounted for the difference in the net cash generated from operating activities among the years during the Track Record Period.

Four months ended 30 April 2019

For the four months ended 30 April 2019, we had net cash generated from operating activities of HK\$25.3 million, which was primarily attributable to our profit before tax of HK\$24.8 million, positively adjusted by (i) the depreciation on property, plant and equipment of HK\$1.0 million; (ii) finance costs of HK\$0.2 million; (iii) net exchange difference of HK\$0.3 million; and (iv) non-cash share based payment of HK\$0.5 million, and negatively adjusted by (i) dividend income from our investments in financial assets at fair value through other comprehensive income of HK\$0.7 million; and (ii) finance income of HK\$0.2 million. For the four months ended 30 April 2019, our operating cash flows before movements in working capital was HK\$25.7 million. Movements in working capital contributed to the net cash outflow which was primarily due to (i) the movement in contract assets and liabilities of HK\$37.4 million; and (ii) the decrease in other payables and accruals of HK\$3.1 million, partially offset by (i) the decrease in trade and retention receivables of HK\$19.5 million; (ii) decrease in deposits, prepayments and other receivables of HK\$13.2 million; and (iii) the increase in trade, bills and retention payables of HK\$5.1 million.

Year ended 31 December 2018

For the year ended 31 December 2018, we had net cash used in operating activities of HK\$63.8 million, which was primarily attributable to our profit before tax of HK\$111.0 million, positively adjusted by (i) the depreciation on property, plant and equipment of HK\$1.5 million; (ii) finance costs of HK\$0.8 million; and (iii) net exchange difference of HK\$2.6 million, and negatively adjusted by (i) dividend income from our investments in financial assets at fair value through other comprehensive income of HK\$1.7 million; (ii) finance income of HK\$0.7 million; and (iii) gain on disposal of property, plant and equipment of HK\$47.1 million. For the year ended 31 December 2018, our operating cash flows before movements in working capital was HK\$66.7 million. Movements in working capital contributed to the net cash outflow which was primarily due to (i) the movement in contract assets and liabilities of HK\$42.1 million; (ii) income tax paid of HK\$41.1 million; (iii) the decrease in trade and bills and retention payables of HK\$31.3 million; and (iv) the increase in deposits, prepayments and other receivables of HK\$15.3 million.

FINANCIAL INFORMATION

The income tax payment of HK\$41.1 million in 2018 represents the (i) settlement of tax payable for the tax assessment year 2017/18 of HK\$11.4 million; (ii) the provisional tax paid for the tax assessment year 2018/19 of HK\$15.0 million; and (iii) the settlement of additional tax payable for the tax assessment year 2016/17 of HK\$14.7 million resulted from a change in accounting policies. The then financial statements of Acme Metal and Acme Gondola for the year ended 31 December 2016 was prepared using the Small and Medium-sized Entity Financial Reporting Standard issued by HKICPA for tax filing purpose. In preparation of the Listing, the management of Acme Metal and Acme Gondola has adopted the HKFRS, including the adoption of the new accounting standard HKFRS 15, for the preparation of financial statements for consolidation purpose. Upon the adoption of HKFRS, we changed the method of measuring contract work progress from output method (i.e. recognise revenue over the time based on the surveys of the construction work completed by the entity as certified by the surveyors) to input method (i.e. recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation) because our Directors were of the view that (i) input method is a more representative method to reflect our performance as the costs incurred by us would contribute to our progress in the satisfaction of the performance obligation of our services; and (ii) input method is commonly adopted by listed companies in the construction industry in Hong Kong, as confirmed by Ipsos. As a result of the change in the accounting policies and the change in such method, the management of Acme Metal and Acme Gondola restated the comparative financial information for the year ended 31 December 2016, which the restatements were mainly in relation to the adjustment in contract revenue and costs for prior periods in the audited financial statement for the year ended 31 December 2017 and re-filed the tax filings to reflect the adjusted retained earnings as at 31 December 2016 to the tax authority, resulting in an increase in assessable profits of HK\$89.1 million with an additional tax payable of HK\$14.7 million for the tax assessment year 2016/17. As at 31 December 2017, we recorded income tax liabilities amounted to HK\$26.0 million, which was significantly lower than the amount of income tax payment in 2018 of HK\$41.1 million. Such difference primarily arose from the settlement of provisional tax paid for the assessment year 2018/19 of HK\$15.0 million in 2018.

Year ended 31 December 2017

For the year ended 31 December 2017, we had net cash generated from operating activities of HK\$30.6 million, which was primarily attributable to our profit before tax of HK\$72.0 million, positively adjusted by (i) the depreciation on property, plant and equipment of HK\$0.7 million; and (ii) finance costs of HK\$1.2 million, and negatively adjusted by (i) dividend income from our investments in financial assets at fair value through other comprehensive income of HK\$1.6 million; (ii) finance income of HK\$0.4 million; and (iii) net exchange difference of HK\$4.2 million. For the year ended 31 December 2017, our operating cash flows before movements in working capital was HK\$67.7 million. Movements in working capital contributed to the net cash outflow which was primarily due to the movement in contract assets and liabilities of HK\$70.7 million, partially offset by the decrease in trade and retention receivables of HK\$47.2 million.

FINANCIAL INFORMATION

Year ended 31 December 2016

For the year ended 31 December 2016, we had net cash generated from operating activities of HK\$22.8 million, which was primarily attributable to our profit before tax of HK\$69.5 million, positively adjusted by (i) the depreciation on property, plant and equipment of HK\$0.7 million; (ii) finance costs of HK\$0.7 million; and (iii) net exchange difference of HK\$0.8 million, and negatively adjusted by (i) dividend income from our investments in financial assets at fair value through other comprehensive income of HK\$1.5 million; and (ii) finance income of HK\$0.3 million. For the year ended 31 December 2016, our operating cash flows before movements in working capital was HK\$69.9 million. Movements in working capital contributed to the net cash outflow which was primarily due to the increase in trade and retention receivables of HK\$63.5 million, partially offset by the movement in contract assets and liabilities of HK\$25.7 million.

Cash flows in relation to our investing activities

During the Track Record Period, the cash inflows from our investing activities were primarily derived from (i) interest received; (ii) dividend received; and (iii) the decrease in time deposits, while the cash outflows for our investing activities were primarily attributable to (i) the purchases of property, plant and equipment; (ii) the purchases of financial assets at fair value through other comprehensive income; and (iii) the increase in time deposits.

Four months ended 30 April 2019

For the four months ended 30 April 2019, we had net cash used in investing activities of HK\$0.3 million, which was primarily attributable to the payment for purchase of property, plant and equipment of HK\$0.6 million, partially offset by interest received of HK\$0.2 million.

Year ended 31 December 2018

For the year ended 31 December 2018, we had net cash used in investing activities of HK\$3.2 million, which was primarily attributable to (i) the increase in time deposits of HK\$2.6 million; (ii) the payment for purchase of property, plant and equipment of HK\$1.3 million; and (iii) interest received of HK\$0.7 million.

Year ended 31 December 2017

For the year ended 31 December 2017, we had net cash generated from investing activities of HK\$4.2 million, which was primarily attributable to (i) the decrease in time deposits of HK\$4.0 million; and (ii) interest received of HK\$0.4 million, partially offset by the payment for purchases of property, plant and equipment of HK\$0.3 million.

FINANCIAL INFORMATION

Year ended 31 December 2016

For the year ended 31 December 2016, we had net cash used in investing activities of HK\$23.5 million, which was primarily attributable to (i) the payments for acquisition of financial assets at fair value through other comprehensive income of HK\$19.9 million; and (ii) the increase in time deposits of HK\$4.0 million.

Cash flows in relation to our financing activities

During the Track Record Period, the cash inflows from our financing activities were primarily derived from proceeds from bank borrowings and the decrease in pledged deposits while the cash outflows for our financing activities were primarily attributable to the repayment of bank borrowings, the repayment of finance leases, the increase in pledged deposits and restricted deposits, dividend paid, interest paid and listing expense paid.

Four months ended 30 April 2019

For the four months ended 30 April 2019, we had net cash used in financing activities of HK\$49.7 million, which was primarily attributable to (i) the repayment of bank borrowings of HK\$12.7 million; (ii) the increase in restricted deposits of HK\$10.0 million; and (iii) the payment of dividends to owners of our Company of HK\$45.0 million, partially offset by the proceeds from bank borrowings of HK\$16.3 million.

Year ended 31 December 2018

For the year ended 31 December 2018, we had net cash used in financing activities of HK\$43.0 million, which was primarily attributable to (i) the repayment of bank borrowings of HK\$54.5 million; (ii) the increase in pledged deposits of HK\$21.2 million; (iii) the payment of dividends to owners of our Company and non-controlling shareholders of HK\$8.9 million and HK\$3.0 million, respectively, partially offset by the proceeds from bank borrowings of HK\$47.9 million.

Year ended 31 December 2017

For the year ended 31 December 2017, we had net cash used in financing activities of HK\$14.3 million, which was primarily attributable to the repayment of bank borrowings of HK\$84.5 million, partially offset by the proceeds from bank borrowings of HK\$74.3 million.

Year ended 31 December 2016

For the year ended 31 December 2016, we had net cash generated from financing activities of HK\$19.6 million, which was primarily attributable to (i) the proceeds from new borrowings of HK\$87.1 million; and (ii) decrease in pledged deposits of HK\$6.0 million, partially offset by the repayment of bank borrowings of HK\$72.4 million.

FINANCIAL INFORMATION

CAPITAL EXPENDITURE

Our capital expenditure for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 was HK\$0.4 million, HK\$0.3 million, HK\$1.3 million and HK\$0.6 million, respectively. Our capital expenditure was used primarily for purchases of furniture and fixtures for our new office. We financed our capital expenditure primarily through our cash flow generated from operating activities.

RELATED PARTY TRANSACTIONS

We entered into certain related party transactions during the Track Record Period.

Transaction with Acme Gondola Systems Limited (“Acme Gondola Macau”)

Acme Gondola Macau was a company incorporated in Macau with limited liability on 16 April 2007 and owned as to 26% by Mr. Kwan, 25% by Mr. Mak and 49% by Mr. Poon immediately before its deregistration on 18 March 2019. As confirmed by Mr. Poon, since the incorporation of Acme Gondola Macau, he has been the registered and legal owner of the said 49% equity capital in Acme Gondola Macau, with him holding 24% and 25% thereof on trust for and on behalf of Mr. Kwan, being one of the beneficiaries, and Mr. Mak, being the other beneficiary, respectively. As Acme Gondola Macau was incorporated as a Macau counterpart of Acme Gondola, Mr. Mak and Mr. Kwan considered that it would be commercially sensible to adopt the same trust arrangement as Acme Gondola when incorporating Acme Gondola Macau. For details of the trust arrangement of Acme Gondola, please refer to the section headed “History, development and Reorganisation – Corporate development – Acme Gondola” in this prospectus.

The principal business of Acme Gondola Macau was provision of BMU system services in Macau. Based on the unaudited financial information of Acme Gondola Macau, its revenue, gross profit, net profits/(losses) and net assets for the years ended 31 December 2016, 2017 and 2018 are as follows:

	Year ended/As at 31 December		
	2016	2017	2018
	MOP'000	MOP'000	MOP'000
Revenue ^(Note 1)	1,098	2,219	–
Gross profit	572	1,894	–
Net profits/(losses)	201	1,814	(6)
Net assets	5,247	7,061	7,055

Note:

- (1) For the years ended 31 December 2016 and 2017, all the revenue was derived from the Macau Project (as defined below).

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Acme Gondola Macau was not included into our Group because (i) it had not undertaken any new project after its last BMU system work project was completed in August 2015 (the “**Macau Project**”) and had been inactive with no business operation since the defects liability period of the Macau Project (during which it carried out post-completion maintenance services for this project) expired in July 2017; and (ii) Mr. Kwan and Mr. Mak decided to wind it up as they intended to focus on the development of our Group’s business in Hong Kong.

The Macau Project was a BMU system work project in which Acme Gondola Macau was engaged as a subcontractor to provide BMU system work design and build services for a commercial building located at Cotai, Macau. It commenced in September 2013 and was completed in August 2015. Its awarded contract sum was HK\$21.0 million and its gross profit margin was approximately 25.7%. The customer of the Macau Project was a company incorporated in Macau with limited liability and a subsidiary of a PRC curtain wall service provider, the shares of which are listed on the Shanghai Stock Exchange.

As at 31 December 2016, 2017 and 2018 and 30 April 2019, our amount due to Acme Gondola Macau was approximately HK\$6.2 million, HK\$3.6 million, nil and nil, respectively, which mainly comprised payments from the customer of the Macau Project that we received on behalf of Acme Gondola Macau.

As at 31 December 2016, 2017 and 2018 and 30 April 2019, we received on behalf of Acme Gondola Macau approximately HK\$0.6 million, HK\$0.6 million, HK\$79,000 and nil, respectively, which mainly comprised payments from the customer of the Macau Project.

As at 31 December 2016, 2017 and 2018 and 30 April 2019, we paid on behalf of Acme Gondola Macau approximately HK\$0.5 million, HK\$3.2 million, nil and nil, respectively, which mainly comprised payments for the subcontracting charges, staff costs, material costs and transportation costs in respect of the Macau Project.

Our Directors confirm that we received and paid the above payments on behalf of Acme Gondola Macau because (i) the scale of operation of Acme Gondola Macau was relatively small with the Macau Project being its only project at the relevant time and it was considered not capital-efficient to separately inject and maintain a substantial amount of funds in its bank account for the purpose of one project only; (ii) it was a requirement of the BMU system supplier of the Macau Project to settle its payments by letter of credit but Acme Gondola Macau did not have a banking facility or credit line for issuing such letter of credit unless Acme Gondola Macau would pledge collaterals of equivalent monetary value to the bank by way of cash deposits at Acme Gondola Macau’s bank account, whereas we had such banking facility line readily available; and (iii) such consolidated payment arrangement would allow better treasury management and administrative efficiency. Since the contract sum and other payments of the contract of the Macau Project were denominated in Hong Kong dollars instead of MOP, and Acme Gondola Macau agreed to allow the customer to settle the contract sum and other payments by paying to the bank account of Acme Gondola Macau in Macau or to the bank account of Acme Gondola in Hong Kong, our Directors believe that such payment arrangements would not be inconvenient to the customer.

FINANCIAL INFORMATION

As confirmed by Mr. Kwan, Mr. Mak and Mr. Poon after making reasonable enquiries and seeking advice from their Macau legal counsel, Acme Gondola Macau was not subject to any material non-compliant incident, claim, litigation or legal proceedings (whether actual or threatened) during the Track Record Period and up to its deregistration on 18 March 2019.

Transaction with Best Mate Engineering Limited (“Best Mate”)

Best Mate is a company incorporated in Hong Kong and owned as to approximately 33.4%, 33.3% and 33.3% by the son and the two daughters of Mr. Kwan, respectively. Its principal business is engineering consultancy. For each of the years ended 31 December 2016 and 2017, we paid Best Mate an annual service fee of approximately HK\$0.4 million for quantity surveying services. Our Directors confirm that the service fee was determined on an arm’s length basis with reference to the amount of services provided by Best Mate and the market salary level of quantity surveying staff. The relevant services agreement was terminated on 31 December 2017 after we decided to employ additional quantity surveying staff to undertake such work ourselves with a view to delineating our business and operation from the associates of Mr. Kwan, one of our Controlling Shareholders.

Set forth below is a summary of the background of Best Mate:

(i) Scale of operations

The quantity surveying services provided by Best Mate to us for the years ended 31 December 2016 and 2017 were carried out by Ms. Kwan Sin Ming, Simone, who is Mr. Kwan’s daughter, one of the shareholders and directors of Best Mate and a quantity surveying practitioner. To the best information and knowledge of our Directors after making reasonable enquiries with the directors of Best Mate, Best Mate had no employees and Ms. Kwan Sin Ming, Simone was its only quantity surveying practitioner at the relevant time. The quantity surveying services of Best Mate were commissioned by us (a private enterprise at the relevant time) for the practical and convenient reasons, as Ms Kwan Sin Ming, Simone, Mr. Kwan’s daughter, possessed the necessary qualification to provide such services to us.

(ii) Background of the shareholders

Mr. Kwan Ho Yeung, Roger has been a District Councillor for the Kowloon City District Council since 2016.

Ms. Kwan Sin Ming, Simone has worked at Cheung Kee Fung Cheung Construction Co., Ltd. as a senior estimator since December 2017. Prior to that, Ms. Kwan worked at Chinney Construction Co., Ltd. as an estimating and procurement manager from September 2006 to June 2017.

Ms. Kwan Wing Tsuen has worked at Acme Metal as an account officer since August 2006.

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Apart from Ms. Kwan Wing Tsuen, none of the other shareholders of Best Mate has held any position with our Group.

(iii) Customer base and revenue attributable to our Group

Based on the information provided by Best Mate, our Group was the only customer of Best Mate during the Track Record Period. Upon termination of the quantity surveying services agreement on 31 December 2017 and up to 31 March 2019, Best Mate had no source of revenue and had been inactive with no business operation.

Based on the information provided by Best Mate, its revenue attributable to our Group for the years ended 31 March 2016, 2017, 2018 and 2019 (being the financial year ends of Best Mate) were HK\$384,000, HK\$384,000, HK\$288,000 and nil, respectively.

(iv) Financial information

Based on the audited financial statements for the years ended 31 March 2016, 2017 and 2018 and the unaudited financial statements for the year ended 31 March 2019 of Best Mate, its revenue, gross profit, net profits/(losses) and net assets for the years ended/as at 31 March 2016, 2017, 2018 and 2019 are as follows:

	Year ended/As at 31 March			
	2016	2017	2018	2019
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Revenue	384,000	384,000	288,000	–
Gross profit	384,000	384,000	288,000	–
Net profits/(losses)	18,133	53,545	(6,465)	(13,705)
Net assets	1,201	54,746	48,281	34,576

(v) No material non-compliance

To the best information and knowledge of our Directors after making reasonable enquiries with the directors of Best Mate and based upon the search report by an independent search agent against Best Mate, Best Mate was not subject to any material non-compliant incidents, claims, litigation or legal proceedings (whether actual or threatened) during the Track Record Period and up to the Latest Practicable Date.

For further details for the above and other related party transactions, please refer to “Accountant’s Report – Notes to the historical financial information – 31. Related party transactions” in Appendix I to this prospectus. Our Directors have confirmed that these transactions were conducted on normal commercial terms and on arm’s length basis and did not have a material impact on our results of operations during the Track Record Period.

FINANCIAL INFORMATION

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any off-balance sheet commitments and arrangements.

LISTING EXPENSES

The total estimated listing expenses in connection with the Global Offering is approximately HK\$41.9 million (based on the mid-point of the Offer Price of HK\$1.14 per Offer Share and assuming the Over-allotment Option is not exercised), of which (i) approximately HK\$13.8 million has been charged to our consolidated income statements up to 30 April 2019; (ii) approximately HK\$11.6 million is expected to be charged to our consolidated income statements for the eight months ending 31 December 2019; and (iii) approximately HK\$16.5 million is expected to be accounted for as a deduction from equity upon the Listing.

Our Directors consider that our financial results will be affected by the estimated listing expenses in relation to the Global Offering as we expect to recognise approximately HK\$11.6 million in the consolidated income statements for the eight months ending 31 December 2019. Accordingly, the financial performance for the year ending 31 December 2019 is expected to be adversely affected by such listing expenses.

Our Directors would like to emphasise that the estimated amount of listing expenses disclosed above is for reference only. The final amount of listing expenses in relation to the Listing to be recognised in our consolidated income statements for the year ending 31 December 2019 will be subject to adjustment based on audit and the then changes in variables and assumptions. Prospective investors should note that our financial performance for the year ending 31 December 2019 is expected to be adversely affected by non-recurring listing expenses, and may or may not be comparable to our financial performance in the past.

MAJOR FINANCIAL RATIOS

The following table sets forth the major financial ratios as at the dates or for the years/period indicated:

Financial metrics	As at/Year ended 31 December			As at/ Four months ended 30 April
	2016	2017	2018	2019
Gross profit margin ⁽¹⁾	17.6%	20.5%	19.5%	22.4%
Net profit margin ⁽²⁾	12.1%	14.3%	21.2%	11.5%
Return on assets ⁽³⁾	15.5%	13.4%	20.5%	N/A ⁽⁷⁾
Return on equity ⁽⁴⁾	41.3%	29.9%	36.7%	N/A ⁽⁷⁾
Current ratio ⁽⁵⁾	1.7 times	2.2 times	3.3 times	3.2 times
Gearing ratio ⁽⁶⁾	17.2%	7.7%	5.6%	6.5%

FINANCIAL INFORMATION

Notes:

- (1) Gross profit margin is calculated based on our gross profit of the relevant years/period divided by our revenue of the corresponding year/period and multiplied by 100%.
- (2) Net profit margin is calculated based on our profit for the relevant year/period divided by our revenue of the corresponding year/period and multiplied by 100%.
- (3) Return on assets is calculated based on our net profit attributable to our equity holders for the relevant years/period divided by our average total assets as at the beginning and the end of the corresponding year/period and multiplied by 100%.
- (4) Return on equity is calculated based on our net profit attributable to our equity holders for the relevant years/period divided by our average total equity attributable to our equity holders as at the beginning and the end of the corresponding year/period and multiplied by 100%.
- (5) Current ratio is calculated based on our total current assets as at the end of the relevant years/period divided by our total current liabilities as at the end of the corresponding year/period.
- (6) Gearing ratio is calculated based on our total debt (being the total of bank borrowings and lease liabilities) as at the end of the relevant years/period divided by our total equity attributable to our equity holders as at the end of the corresponding year/period and multiplied by 100%.
- (7) This four-month number is not meaningful as it is not comparable to the annual number.

Gross profit margin

Our gross profit margin increased from approximately 17.6% for the year ended 31 December 2016 to approximately 20.5% for the year ended 31 December 2017, and remained stable at approximately 19.5% for the year ended 31 December 2018. The increase in gross profit margin for the year ended 31 December 2017 was primarily attributable to the increase in gross profit margin of our BMU system works. Our gross profit margin increased from approximately 19.5% for the year ended 31 December 2018 to approximately 22.4% for the four months ended 30 April 2019. For further details of the fluctuations in our gross profit margin during the Track Record Period, please refer to the paragraph headed “Description of certain components of our consolidated income statements” in this section.

Net profit margin

Our net profit margin increased from approximately 12.1% for the year ended 31 December 2016 to approximately 14.3% for the year ended 31 December 2017, and to approximately 21.2% for the year ended 31 December 2018. Our net profit margin decreased from approximately 21.2% for the year ended 31 December 2018 to approximately 11.5% for the four months ended 30 April 2019. For further details of the fluctuations in our net profit margin during the Track Record Period, please refer to the paragraph headed “Period-to-period comparisons of our results of operations” in this section.

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Return on assets

Our return on assets decreased from approximately 15.5% for the year ended 31 December 2016 to approximately 13.4% for the year ended 31 December 2017. This decrease was primarily attributable to the increase in our current assets generated from our operations. Our return on assets increased from approximately 13.4% for the year ended 31 December 2017 to approximately 20.5% for the year ended 31 December 2018. This increase was primarily attributable to the increase in our net profit attributable to equity holders mainly due to our gain on disposal of the Wong's Property and the Wai Yip Property recognised during the year ended 31 December 2018.

Return on equity

Our return on equity decreased from approximately 41.3% for the year ended 31 December 2016 to approximately 29.9% for the year ended 31 December 2017. This decrease was primarily attributable to the increase in our total equity as at 31 December 2017. Our return on equity increased from approximately 29.9% for the year ended 31 December 2017 to approximately 36.7% for the year ended 31 December 2018. This increase was primarily attributable to the increase in our net profit attributable to equity holders mainly due to our gain on disposal of the Wong's Property and the Wai Yip Property recognised during the year ended 31 December 2018.

Current ratio

Our current ratio increased from 1.7 times as at 31 December 2016 to 2.2 times as at 31 December 2017. This increase was primarily attributable to (i) the increase in cash and cash equivalents attributable to our operating activities net of the repayment of bank borrowings during the year ended 31 December 2017; and (ii) the increase in our contract assets and decrease in our contract liabilities net of the decrease in trade and retention receivables, due to more construction works performed or upfront costs incurred during the year ended 31 December 2017 which had not been billed as at 31 December 2017. Our current ratio increased from 2.2 times as at 31 December 2017 to 3.3 times as at 31 December 2018. This increase was primarily attributable to (i) the decrease in trade and retention payables due to the settlement of an overdue trade payable to one of our major material suppliers during the year ended 31 December 2018; (ii) the decrease in income tax liabilities due to the tax paid during the year ended 31 December 2018; and (iii) the increase in contract assets as a result of more construction works performed or upfront costs incurred during the year ended 31 December 2018. Our current ratio remained stable at 3.3 times and 3.2 times as at 31 December 2018 and 30 April 2019, respectively.

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Gearing ratio

Our gearing ratio decreased from approximately 17.2% as at 31 December 2016 to approximately 7.7% as at 31 December 2017. This decrease was primarily attributable to the decrease in our bank borrowings as at 31 December 2017. Our gearing ratio decreased from approximately 7.7% as at 31 December 2017 to approximately 5.6% as at 31 December 2018. This decrease was primarily attributable to the decrease in our bank borrowings as at 31 December 2018. Our gearing ratio increased from approximately 5.6% as at 31 December 2018 to approximately 6.5% as at 30 April 2019. This increase was primarily attributable to the increase in import loans for purchase of BMU systems.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

The main risks associated with our financial instruments are market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. Our management regularly reviews and monitors our exposures to these risks in order to ensure appropriate measures are implemented on a timely and effective manner. Details of the relevant risks and our policies for managing these risks are set out below.

Foreign exchange risk

We operate in Hong Kong with most of our transactions denominated and settled in HK\$, EUR, US\$ and RMB. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency other than the functional currencies of our group entities.

Our management closely monitors foreign currency exchange exposure and will take measures to minimise the currency translation risk, including managing the exposures arisen from purchases made by group entities in currencies other than their own functional currencies and performing regular reviews of our net foreign exchange exposure.

Under the current pegging arrangement between HK\$ and US\$, our Directors consider the foreign exchange risk arising from US\$ as insignificant.

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The following table sets forth a sensitivity analysis to illustrate the impact of a hypothetical 5% strengthening in RMB and EUR on our pre-tax profit for the years indicated, with an other variables remained constant:

	Year ended 31 December			Four months ended
	2016	2017	2018	30 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(decrease) in pre-tax profit of our Group				
RMB	534	587	578	589
EUR	110	1,712	1,394	364

Cash flow and fair value interest rate risk

Our cash flow and fair value interest rate risk primarily relates to bank balances and bank borrowings. We are exposed to cash flow interest rate risk in relation to borrowings issued at variable rates and fair value interest rate risk in relation to borrowings issued at fixed rates.

We currently do not have an interest rate hedging policy. However, we closely monitor interest rate exposure and will consider hedging changes in market interest rates should the need arise.

Credit risk

Our credit risk is managed on a group basis and primarily attributable to our financial assets including trade and retention receivables, deposits and other receivables, amounts due from Directors, cash and cash equivalents, pledge, time and restricted deposits. During the Track Record Period, our maximum exposure to credit risk, which may cause a financial loss to us due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

During the Track Record Period, our credit risk was concentrated on a number of major and long-established customers. As at 31 December 2016, 2017 and 2018 and 30 April 2019, our trade and retention receivables from customer with largest revenue during the corresponding years/period accounted for approximately 34%, 6%, 6% and 1% and from the top five customers accounted for approximately 85%, 74%, 58% and 56% of our total trade and retention receivables, respectively. In management of our credit risk associated with trade and retention receivables, we have policies in place to ensure that sales are made to customers with appropriate credit histories and to limit the amount of credit exposure to any individual customer. In addition, we apply the HKFRS 9 simplified approach to measuring expected credit

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losses which uses a lifetime expected loss allowance for all our trade and retention receivables and contract assets. To measure the expected credit losses, our trade and retention receivables and contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled contract work and have substantially the same risk characteristics as the trade and retention receivables for the same types of contracts. We have therefore concluded that the expected loss rates for trade and retention receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the corresponding historical credit losses experienced, which are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. In this regard, our Directors consider that our credit risk is significantly reduced.

For deposits and other receivables, we closely monitor the credit qualities and collectability of these counterparties to assess their recoverability. Our management considers that the expected credit loss is immaterial.

Liquidity risk

We aim to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing through an adequate amount of available credit facilities. We manage our liquidity risk by monitoring our working capital requirements including closely monitoring the turnover days of receivables and keeping credit lines available. Our management monitors rolling forecasts of our banking facilities and cash and cash equivalents on the basis of expected cash flows. Our policy is to regularly monitor current and expected liquidity requirements to ensure that we maintain sufficient cash balances and adequate credit facilities to meet our liquidity requirements in the short and long-term. We are satisfied that we will be able to meet in full our financial obligations as and when they fall due in the foreseeable future in the normal course of our business.

When carrying out our projects, we may incur net cash outflows when we are required to pay for upfront costs prior to receiving progress payments from our customers. Based on our Directors' experience and taking into account our projects undertaken during the Track Record Period, our upfront costs for façade works and BMU system works are generally settled after one to six months and three to nine months from when they have been incurred, respectively. In addition, we are generally required to submit application to our customers for progress payments with reference to the works completed pursuant to the contract. For façade works, we usually apply for progress payments at regular intervals depending on the practice of the customers, such as bi-weekly or monthly, for a sum based on the amount of work completed between such intervals. For BMU system works, we usually apply for progress payments in terms of a certain percentage of the contract sum based on the occurrence of certain milestone events, such as completion of installation work (which usually takes place at around eight to 13 months after project commencement) and handover of the BMU systems (which usually takes place at around 18 to 30 months after project commencement). For some of the projects, our customers and/or their authorised persons will then carry out an inspection on the completed works and issue a payment certificate to certify the progress of works completed.

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It generally takes approximately one month to obtain the payment certificate from the payment application submission date. Upon receipt of the payment certificate, we will issue an invoice to our customers. We generally grant 30 to 60 days credit period to our customers. Therefore, there are often time lags between making payments to our suppliers and subcontractors and receiving payments from our customers. We also cannot guarantee that our customers will pay us in a timely manner or pay the full amount invoiced by us. As a result, we may experience cash flow mismatch.

As an illustration of our cash flow mismatch (not including one-off expenses which were not incurred in the ordinary course of business), during the year ended 31 December 2016, there were five months in which we recorded net cash outflow, with the average amount being approximately HK\$11.3 million, and the maximum amount being approximately HK\$23.6 million. In particular, there were three consecutive months of net cash outflow during the same period, in which we recorded an aggregate net cash outflow of approximately HK\$39.4 million. During the year ended 31 December 2017, there were six months in which we recorded net cash outflow, with the average amount being approximately HK\$6.5 million, and the maximum amount being approximately HK\$9.9 million. In particular, there were three consecutive months of net cash outflow during the same period, in which we recorded an aggregate net cash outflow of approximately HK\$21.8 million. During the year ended 31 December 2018, there were six months in which we recorded net cash outflow, with the average amount being approximately HK\$22.0 million, and the maximum amount being approximately HK\$47.8 million. In particular, there were four consecutive months of net cash outflow during the same period, in which we recorded an aggregate net cash outflow of approximately HK\$111.0 million.

In order to manage our liquidity risk and potential cash flow mismatch, we have adopted the following measures:

- (a) before undertaking each new project, our finance department will prepare an analysis of the forecasted amount and timing of cash inflows and outflows in relation to the project and our overall business operations so as to ensure the sufficiency of our financial resources before undertaking a new project;
- (b) our finance department monitors the rolling forecasts of the liquidity reserve and our cash and bank balances on the basis of expected cash flow; and
- (c) if we estimate that we may experience shortage of internal financial resources, we may refrain from undertaking new projects.

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The following table sets forth our financial liabilities by relevant maturity grouping as of the dates indicated:

	On demand	Within one year	Over one year	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 30 April 2019				
Trade, bills and retention payables	–	36,976	6,030	43,006
Other payables	–	4,396	–	4,396
Amounts due to Directors	21	–	–	21
Bank borrowings – principal portion	12,347	–	–	12,347
Lease liabilities	–	2,222	1,357	3,579
	<u>12,368</u>	<u>43,594</u>	<u>7,387</u>	<u>63,349</u>
As at 31 December 2018				
Trade, bills and retention payables	–	33,188	4,768	37,956
Other payables	–	2,541	–	2,541
Amounts due to Directors	80	–	–	80
Bank borrowings – principal portion	8,856	–	–	8,856
Lease liabilities	–	2,222	2,097	4,319
	<u>8,936</u>	<u>37,951</u>	<u>6,865</u>	<u>53,752</u>
As at 31 December 2017				
Trade, bills and retention payables	–	63,455	5,842	69,297
Other payables	–	761	–	761
Amount due to a related party	3,618	–	–	3,618
Bank borrowings – principal portion	15,842	–	–	15,842
Lease liabilities	–	40	–	40
	<u>19,460</u>	<u>64,256</u>	<u>5,842</u>	<u>89,558</u>

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	On demand	Within one year	Over one year	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2016				
Trade, bills and retention payables	–	58,372	11,070	69,442
Other payables	–	455	–	455
Dividend payable	–	1,000	–	1,000
Amounts due to Directors	58	–	–	58
Amount due to a related party	6,243	–	–	6,243
Bank borrowings – principal portion	25,110	–	–	25,110
Lease liabilities	–	80	40	120
	<u>31,411</u>	<u>59,907</u>	<u>11,110</u>	<u>102,428</u>

DIVIDENDS AND DISTRIBUTABLE RESERVE

Our Board is responsible for submitting proposals in respect of dividend payments, if any, to our Shareholders for approval at general meetings. A decision to declare any dividends and the amount of such dividends depend on various factors, including our results of operation, cash flows, financial condition, future business prospects, statutory and contractual restrictions on the payment of dividends by us and other factors that our Board considers relevant.

Dividends during each of the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 represented dividends declared by a company now being part of our Group to its equity holders for the respective periods. On 1 February 2019, Acme Metal declared a dividend of HK\$45.0 million, which had been fully paid by cash out of Acme Metal's internal funds subsequently.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. The declaration and payment of future dividends will be subject to various factors, including but not limited to our results of operations, financial performance, profitability, business development, prospects, capital requirements and economic outlook. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Cayman Islands Companies Law, including the approval of our Shareholders.

As at 30 April 2019, our accumulated distributable profits amounted to HK\$200.7 million.

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RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on being a one-stop design and build solution service provider for both façade works and BMU system works, and our business model remained unchanged. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had been awarded six and nine design and build projects in relation to façade works and BMU system works, with total awarded contract sum of approximately HK\$471.7 million and HK\$26.3 million, respectively.

As at the Latest Practicable Date, we had 21 and 78 design and build projects on hand (i.e. with engagement confirmed and not yet completed) in relation to façade works and BMU system works, with total awarded contract sum of approximately HK\$1,146.0 million and HK\$437.1 million, of which approximately HK\$274.5 million and HK\$255.2 million had been recognised as revenue up to 30 April 2019, respectively. It is expected that these projects will contribute revenue to us substantially in the amount and schedule as expected subsequent to the Track Record Period.

As at the Latest Practicable Date, we had submitted 48 and 57 tenders for design and build projects in relation to façade works and BMU system works, with a total estimated contract sum of approximately HK\$4,925.4 million and HK\$249.3 million, respectively, which were pending tender results.

We expect a decline in forecast profit for the year ending 31 December 2019 as compared to the year ended 31 December 2018 primarily due to (i) the decrease in other gains, which was primarily attributable to the disposal gain in respect of the Excluded Properties amounted to HK\$47.1 million; and (ii) the increase in listing expenses.

Save for the estimated non-recurring listing expenses as disclosed in the paragraph headed “Listing expenses” in this section, our Directors have confirmed that since 30 April 2019 and up to the date of this prospectus, (i) there was no material adverse change in the market conditions and the industry and the regulatory environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in our business operations, financial position or prospects; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountant’s Report in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For details of our unaudited pro forma adjusted consolidated net tangible assets, please refer to Appendix II to this prospectus.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND BUSINESS STRATEGIES

Please refer to the section headed “Business – Business strategies” in this prospectus for further details of our business objectives and strategies.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.14 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, we estimate that the net proceeds receivable by us from the Global Offering (after deducting underwriting fees and commission and estimated expenses in connection with the Global Offering) will be approximately HK\$106.3 million. We intend to apply such net proceeds in the following manner:

- (i) approximately HK\$59.0 million, representing approximately 55.5% of our net proceeds from the Global Offering, will be used for funding the upfront costs (excluding surety bonds) of our new projects;
- (ii) approximately HK\$24.1 million, representing approximately 22.7% of our net proceeds from the Global Offering, will be used for funding the issuance of surety bonds for our new projects;
- (iii) approximately HK\$8.5 million, representing approximately 8.0% of our net proceeds from the Global Offering, will be used for expanding our workforce by recruiting additional staff;
- (iv) approximately HK\$4.1 million, representing approximately 3.8% of our net proceeds from the Global Offering, will be used for purchasing an ERP system and additional computer equipment; and
- (v) approximately HK\$10.6 million, representing approximately 10.0% of our net proceeds from the Global Offering, will be used for our general corporate purposes and working capital.

Assuming that the Over-allotment Option is not exercised at all, if the final Offer Price is set at the high-end or low-end point of the indicative Offer Price range, the net proceeds from the Global Offering will increase or decrease by approximately HK\$20.6 million, respectively.

Assuming that the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by us, will be approximately (i) HK\$23.8 million, assuming the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$1.31 per Offer Share; (ii) HK\$20.7 million, assuming the Offer Price is fixed

FUTURE PLANS AND USE OF PROCEEDS

at the mid-point of the indicative Offer Price range, being HK\$1.14 per Offer Share; and (iii) HK\$17.6 million, assuming the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK\$0.97 per Offer Share.

The net proceeds will be used in the same proportions as disclosed above irrespective of (i) whether the Offer Price is fixed at the high-end or low-end point of the indicative Offer Price range; and (ii) whether the Over-allotment Option is exercised.

If there is any material change to the use of proceeds as disclosed above after the Listing, we will make the appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to implement any part of our future plans as intended, our Directors intend to place such net proceeds as short-term interest-bearing deposits with authorised financial institutions in Hong Kong.

Funding the upfront costs and the issuance of surety bonds for our new projects

In line with industry practice and depending on the nature, scope and complexity of the projects undertaken, we, as subcontractor, generally have to incur a considerable amount of upfront costs, such as the costs of building materials, the costs of BMU systems and subcontracting charges, before receiving progress payments from our customers. Progress payments are normally paid after a certain amount of work has been completed and certified. Our customers usually do not pay deposits to us. Based on our Directors' experience and taking into account our projects undertaken during the Track Record Period, our upfront costs for façade works and BMU system works normally amount to approximately 10% and 15% of the awarded contract sum of the relevant projects and are generally settled after one to six months and three to nine months since they have been incurred, respectively.

In line with industry practice and depending on the requirements of the main contractors and property developers, we, as subcontractor, are generally required under the tender document or contract to take out surety bonds of 10% of the contract sum in favour of our customers as security for due performance and satisfactory completion of the projects. Deposits of funds with the bank are generally required for maintaining the banking facilities with the bank under which they issue surety bonds for our projects. Surety bond is usually maintained throughout the project and released after the expiry of the defects liability period. As such, the deposits are locked up for a similar period of time. As at 31 December 2016, 2017 and 2018 and 30 April 2019, the total amount of surety bonds issued for our projects was approximately HK\$17.2 million, HK\$16.7 million, HK\$16.4 million and HK\$16.9 million, respectively.

As discussed below, we expect to incur a substantial amount of funds to satisfy the upfront costs and issue surety bonds for our new projects.

FUTURE PLANS AND USE OF PROCEEDS

(i) Awarded projects

As at the Latest Practicable Date, we had been awarded six design and build projects in relation to façade works and 11 design and build projects in relation to BMU system works with a total awarded contract sum of approximately HK\$664.8 million for which all or part of the upfront costs and/or surety bonds required are expected to be paid and/or issued after the Listing Date (collectively, “Awarded Projects”). The Awarded Projects were awarded to us during the period from December 2018 up to the Latest Practicable Date. Taking into account the estimated costs of building materials and BMU systems and subcontracting charges to be incurred for the Awarded Projects, we estimate that the total sum of upfront costs required for the Awarded Projects will be approximately HK\$57.8 million. The total sum of surety bonds required for the Awarded Projects is approximately HK\$39.8 million.

Details of the Awarded Projects are set forth below:

Project code	Counterparty	Commencement date ^(Note 1)	Expected completion date ^(Note 2)	Expected date of paying upfront costs	Expected date of issuing surety bond	Awarded contract sum	Estimated	Sum of surety bond ^(Note 4)
							sum of upfront costs ^(Note 3)	
						HK\$'000	HK\$'000	HK\$'000
<i>Façade works:</i>								
F-22	Customer A	4th quarter of 2018	2nd quarter of 2022	4th quarter of 2019	N/A	68,160	5,511	Nil
F-21	Customer A	1st quarter of 2019	4th quarter of 2021	4th quarter of 2019	N/A	78,000	5,820	Nil
F-47	Customer B	2nd quarter of 2019	4th quarter of 2022	4th quarter of 2019	4th quarter of 2019	197,240	18,028	19,724
F-48	Customer D	2nd quarter of 2019	1st quarter of 2022	4th quarter of 2019	4th quarter of 2019	92,500	5,743	2,775
F-45	Non-five largest customer	3rd quarter of 2019	1st quarter of 2022	1st quarter of 2020	2nd quarter of 2020	116,000	11,600	11,600
F-75	Customer A	3rd quarter of 2019	1st quarter of 2022	4th quarter of 2019	N/A	41,746	4,175	Nil
<i>BMU system works:</i>								
BMU-23	Customer D	1st quarter of 2019	4th quarter of 2020	4th quarter of 2019	4th quarter of 2019	24,800	Nil	2,480
BMU-33	Customer D	1st quarter of 2019	2nd quarter of 2022	1st quarter of 2020	4th quarter of 2019	3,880	582	388
BMU-97	Non-five largest customer	2nd quarter of 2019	3rd quarter of 2021	1st quarter of 2020	N/A	876	131	Nil
BMU-96	Customer B	2nd quarter of 2019	3rd quarter of 2021	1st quarter of 2020	4th quarter of 2019	17,670	2,651	1,767
BMU-99	Customer D	2nd quarter of 2019	3rd quarter of 2021	1st quarter of 2020	N/A	2,980	447	Nil

FUTURE PLANS AND USE OF PROCEEDS

Project code	Counterparty	Commencement date ^(Note 1)	Expected completion date ^(Note 2)	Expected date of paying upfront costs	Expected date of issuing surety bond	Awarded contract sum	Estimated	Sum of surety bond ^(Note 4)
							sum of upfront costs ^(Note 3)	
						HK\$'000	HK\$'000	HK\$'000
BMU-101	Non-five largest customer	2nd quarter of 2019	1st quarter of 2022	2nd quarter of 2020	N/A	1,970	296	Nil
BMU-102	Non-five largest customer	2nd quarter of 2019	2nd quarter of 2021	4th quarter of 2019	4th quarter of 2019	2,530	379	253
BMU-116	Customer B	3rd quarter of 2019	3rd quarter of 2021	1st quarter of 2020	N/A	2,260	339	Nil
BMU-119	Customer D	3rd quarter of 2019	1st quarter of 2022	3rd quarter of 2020	N/A	4,900	735	Nil
BMU-114	Non-five largest customer	3rd quarter of 2019	1st quarter of 2022	3rd quarter of 2020	4th quarter of 2019	7,680	1,152	768
BMU-79	Non-five largest customer	3rd quarter of 2019	4th quarter of 2021	1st quarter of 2020	N/A	1,560	234	Nil
Total:						<u>664,752</u>	<u>57,823</u>	<u>39,755</u>

Notes:

1. The commencement date of a project refers to the date on which the letter of acceptance or equivalent document was issued to us.
2. The expected completion date of a façade works project refers to the date on which the practical completion certificate is expected to be issued to us. The expected completion date of a BMU system works project refers to the date on which the handover certificate is expected to be issued to us.
3. The estimated sum of upfront costs represents up to approximately 10% and 15% of the awarded contract sum in a façade works project and in a BMU system works project, respectively, which are estimated based on our Directors' experience and taking into account our projects undertaken during the Track Record Period.
4. Save for project F-48 which requires surety bond in the sum of approximately 3% of the awarded contract sum, all other projects require surety bond in the sum of approximately 10% of the awarded contract sum. "Nil" means that we are not required to take out surety bonds for these projects.

(ii) Tendered projects

As at the Latest Practicable Date, we had submitted 48 tenders for design and build projects in relation to façade works and 57 tenders for design and build projects in relation to BMU system works with a total estimated contract sum of approximately HK\$4,925.4 million and HK\$249.3 million, respectively, which were pending tender results (collectively, "**Tendered Projects**"). For details of the Tendered Projects, please refer to the section headed "Business – Our design and build projects – Details of design and build projects we had submitted tenders for as at the Latest Practicable Date" in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

If the Tender Projects are all awarded to us, the total sum of upfront costs and the total sum of surety bonds required are estimated to be HK\$529.9 million and HK\$376.8 million, respectively. Based on our average tender success rates during the Track Record Period (i.e. 12.7% for façade works and 49.0% for BMU system works, as detailed in the section headed “Business – Operating procedures – Projects tendering stage” in this prospectus), we estimate that we have a reasonable chance to secure projects with a total contract sum of approximately HK\$747.7 million from the Tendered Projects. As such, we estimate that the corresponding total sum of upfront costs and surety bonds required will be approximately HK\$80.9 million (approximately HK\$20.6 million to be incurred in 2019 and approximately HK\$60.2 million to be incurred in 2020) and HK\$52.2 million (approximately HK\$50.8 million to be incurred in 2020 and approximately HK\$1.4 million to be incurred in 2021), respectively. In terms of number of projects, we estimate that we have a reasonable chance to secure six façade works projects and 28 BMU system works projects.

In aggregate, the total sum of upfront costs required for the Awarded Projects and Tendered Projects is estimated to be approximately HK\$138.6 million and the total sum of surety bonds required for these projects is estimated to be approximately HK\$92.0 million. Set forth below is an estimated timeline of incurring the upfront costs and issuing the surety bonds of the Awarded Projects and Tendered Projects:

	Aggregate awarded/ estimated contract sum	Upfront costs expected to be incurred in 2019	Surety bonds expected to be issued in 2019	Upfront costs expected to be incurred in 2020	Surety bonds expected to be issued in 2020	Upfront costs expected to be incurred in 2021	Surety bonds expected to be issued in 2021
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Awarded Projects	664.8	20.7	25.6	37.1	14.2	Nil	Nil
Tendered Projects which we expect to have a reasonable chance to secure ^(Note 1)	747.7	20.6	Nil	60.2	50.8	Nil	1.4

Note:

1. Based on our average tender success rates during the Track Record Period, we estimate that we have a reasonable chance to secure six façade works projects and 28 BMU system works projects from the Tendered Projects.

In view that the upfront costs and/or surety bonds of the Awarded Projects and Tendered Projects are expected to be paid and/or issued after the Listing, we plan to fund these projects by the net proceeds from the Global Offering. We intend to apply (i) approximately HK\$59.0 million, representing approximately 55.5% of our net proceeds from the Global Offering, for funding the upfront costs for these projects; and (ii) approximately HK\$24.1 million, representing approximately 22.7% of our net proceeds from the Global Offering, for funding the issuance of surety bonds for these projects. Notwithstanding the uncertainties associated

FUTURE PLANS AND USE OF PROCEEDS

with the Listing, we plan to fund the Awarded Projects solely by the net proceeds from the Global Offering and have not allocated any internal funding to fund the Awarded Projects. We will continue to maintain sufficient internal financial resources for our daily operation.

Our Directors confirm that we would not be penalised if we withdraw our bid prior to announcement of the tender results, which is in line with the industry practice in Hong Kong according to the Ipsos Report. If the amount of our net proceeds from the Global Offering so allocated are insufficient to pay the upfront costs or issue the surety bonds as estimated, or if we are required to pay the upfront costs or issue the surety bonds before Listing, we plan to pay such upfront costs and issue such surety bonds through internal resources and bank borrowings. If we are unable to secure the Tendered Projects as estimated, we will apply the relevant unutilised net proceeds from the Global Offering for funding the upfront costs and the issuance of surety bonds for other projects in the future.

IMPLEMENTATION PLAN

In relation to the intended application of the net proceeds described above, the following table sets out the intended amount and timing of our implementation plan:

From the Listing Date to 31 December 2019

<u>Business strategy</u>	<u>Implementation plan</u>	<u>Use of proceeds</u>
Strengthening our financial capacity to undertake more design and build projects	• Funding the upfront costs required for new projects	Approximately HK\$20.6 million
	• Funding the issuance of surety bonds required for new projects	Approximately HK\$24.1 million
Expanding our workforce to enhance our capacity to undertake more design and build projects	• Recruiting additional staff	Approximately HK\$1.0 million
Enhancing our operational efficiency by implementing an ERP system	• Purchasing an ERP system and additional computer equipment and software	Approximately HK\$3.1 million
Total:		Approximately HK\$48.8 million

FUTURE PLANS AND USE OF PROCEEDS

From 1 January 2020 to 31 December 2020

<u>Business strategy</u>	<u>Implementation plan</u>	<u>Use of proceeds</u>
Strengthening our financial capacity to undertake more design and build projects	<ul style="list-style-type: none">• Funding the upfront costs required for new projects	Approximately HK\$38.4 million
Expanding our workforce to enhance our capacity to undertake more design and build projects	<ul style="list-style-type: none">• Recruiting additional staff	Approximately HK\$5.4 million
Enhancing our operational efficiency by implementing an ERP system	<ul style="list-style-type: none">• Purchasing an ERP system and additional computer equipment and software	Approximately HK\$1.0 million
Total:		Approximately HK\$44.8 million

From 1 January 2021 to 31 December 2021

<u>Business strategy</u>	<u>Implementation plan</u>	<u>Use of proceeds</u>
Expanding our workforce to enhance our capacity to undertake more design and build projects	<ul style="list-style-type: none">• Recruiting additional staff	Approximately HK\$2.1 million
Total:		Approximately HK\$2.1 million

REASONS AND BENEFITS FOR LISTING

Our Directors believe that the Listing will benefit our Group in different aspects as discussed below:

(i) Strengthen our financial position and enhance our working capital

We face substantial financial needs to support our operation, as we have to incur upfront costs such as the costs of building materials, the costs of BMU systems and subcontracting charges before we receive progress payments from our customers and we are generally required to procure the issuance of surety bonds. Such financial needs are expected to grow along with

FUTURE PLANS AND USE OF PROCEEDS

our expanding scale of operation. During the year ended 31 December 2018, we were awarded 43 new design and build projects, representing an increase by approximately 4.9% from 41 new design and build projects during the year ended 31 December 2017 and an increase by approximately 38.7% from 31 new design and build projects for the year ended 31 December 2016. For the year ended 31 December 2018, the total contract value of new design and build projects awarded to us (including variation orders) amounted to approximately HK\$490.4 million, representing an increase by approximately 40.7% from approximately HK\$348.6 million for the year ended 31 December 2017 and an increase by approximately 17.2% from approximately HK\$418.5 million for the year ended 31 December 2016.

In addition, as at the Latest Practicable Date, we had 99 design and build projects on hand, representing an increase of approximately 10.0% from 90 design and build projects on hand as at 31 December 2018, an increase of approximately 37.5% from 72 design and build projects on hand as at 31 December 2017 and an increase of approximately 41.4% from 70 design and build projects on hand as at 31 December 2016. Our backlog of design and build projects as at the Latest Practicable Date amounted to approximately HK\$926.5 million. For details, please refer to the section headed “Business – Our design and build projects” in this prospectus.

Further, it is our expansion plan to undertake more design and build projects, so as to capture the growth in the façade works industry as well as the BMU system works industry. As discussed above in this section, as at the Latest Practicable Date, we had submitted 105 tenders for design and build projects with a total estimated contract sum of approximately HK\$5,174.7 million which were pending tender results. Based on our average tender success rates during the Track Record Period, we estimate that we have a reasonable chance to secure new design and build projects with a total contract sum of approximately HK\$747.7 million. A sizeable project with surety bond requirement can lock up a substantial amount of our funds until we receive progress payments for our upfront costs and until the surety bond is released after expiry of the defects liability period. As such, it is crucial for us to maintain a strong liquidity position and have sufficient resources for the implementation of our expansion plan. Furthermore, financial status is a key criterion in selection of subcontractors in the tender process. Therefore, being well-capitalised at all times is critical for us to enhance our competitiveness for any potential business opportunities.

The Listing can provide us with the funds required for our new projects, which our internal financial resources alone are insufficient to support. The estimated funds required for satisfying the upfront costs and the issuance of surety bonds of our new projects in the total sum of HK\$230.6 million will exceed the estimated available internal financial resources of our Group in the absence of the net proceeds from the Listing, being a shortfall of approximately HK\$7.4 million, which is calculated based on our available bank and cash balance as at 31 August 2019 after taking into account (i) our unutilised banking facilities as at 31 August 2019; (ii) our pledged deposits and restricted cash as at 31 August 2019; (iii) our surety bonds expected to be released in 2019; and (iv) the estimated minimum working capital, which we generally maintain for a two-month operation buffer to smoothly run our daily operation according to our management practice and operational needs with reference to

FUTURE PLANS AND USE OF PROCEEDS

our average monthly gross cash outflow (not including one-off expenses which were not incurred in the ordinary course of business) during the Track Record Period. Details of our available internal financial resources are set out as follows:

Our available internal financial resources	Approximately
	<i>HK\$ (in million)</i>
Available bank and cash balance as at 31 August 2019	85.1
Add: unutilised banking facilities as at 31 August 2019	27.4
Add: surety bonds expected to be released in 2019	5.2
Less: pledged deposits and restricted cash as at 31 August 2019	50.8
Less: estimated minimum working capital ^(Note)	74.3
	<hr/>
Total:	(7.4)
	<hr/> <hr/>

Note: The estimated minimum working capital is calculated on the basis of our average monthly gross cash outflow (not including one-off expenses which were not incurred in the ordinary course of business) during the Track Record Period multiplied by two, representing a two-month operation buffer to smoothly run our daily operation according to our management practice and operational needs. It is estimated that maintaining such amount of working capital would enable us to settle our trade and retention payables for up to two months in the future without disruption in the event that we are unable to collect any trade and retention receivables due to any unforeseeable reasons. According to the Ipsos Report, it is a common practice for contractors to maintain a general working capital in terms of two to three months of gross cash outflow to ensure smooth operation. Our Directors are of the view that maintaining adequate working capital is crucial to us because any failure to settle payments to our suppliers or subcontractors in a timely manner may result in delay in our work progress and damage our reputation. Cash inflow has not been taken into account in calculating the two-month operation buffer as cash inflow is subject to various factors which are not fully predictable or under our control, and such factors include but are not limited to project schedule, work progress and customers' payment status, and there is no guarantee that we can maintain a stable and adequate cash inflow. Our Directors confirm that we had not encountered any material difficulty in collecting trade and retention receivables during the Track Record Period.

Without the additional funding from the Listing, our internal financial resources would only be sufficient to cover our current working capital needs, and may not be sufficient to finance our expansion plan for implementing our business strategies as disclosed in this prospectus.

(ii) Enhance our Group's corporate profile, credibility, reputation and competitiveness

Our Directors believe that our customers would prefer doing business with a listed company to a private company given the former's greater transparency, and relevant regulatory supervision and stability generally. It is expected that main contractors would prefer engaging subcontractors having a public listing status with transparent financial disclosures and general regulatory supervision. The Listing will therefore serve to enhance our corporate profile, credibility and reputation.

FUTURE PLANS AND USE OF PROCEEDS

Our Directors believe that a listing status will enhance our credibility with our subcontractors, suppliers and customers and thus, enhance our level of competitiveness in competing for and carrying out construction projects. With such status, we can be differentiated from other unlisted competitors during the tendering process, enhancing our success rate in competing for sizable and profitable projects. Our Directors therefore believe that the Listing is a key strategy for us to enhance our level of competitiveness.

(iii) Enhance our staff morale and loyalty

We believe that a status of the Listing will be respected by our staff and job applicants. Our Directors consider that a listed company will offer extra job security and financial confidence as compared with a private company. As we are operating in an industry with labour shortage problem, improving work morale of our staff is considered as one of our essential tasks to do. In addition, our Directors are of the view that experienced staff are crucial to the continuing development of our Group and that the listing status will enable us to retain our staff and attract more talents to join.

(iv) Ease of raising funds in capital market

In choosing between debt financing and equity financing to support our expansion plan, our Directors consider that the interest rate shows a rising trend currently, and therefore it is in our interest to adopt a prudent financial management strategy and avoid over-reliance on debt financing. The Listing will provide us with access to the public capital markets for future fund raising exercises to assist in our future business development and further strengthen and enhance our competitiveness. In addition, the Listing will expand and diversify our shareholder base as it will allow institutional and professional investors in Hong Kong to easily invest in the equity of our Company, thereby establishing a solid institutional and professional shareholder base to the benefit of our Company and Shareholders as a whole.

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HONG KONG UNDERWRITERS

Dongxing Securities (Hong Kong) Company Limited
Glory Sun Securities Limited
Yue Xiu Securities Company Limited
VMI Securities Limited
Zhongtai International Securities Limited
Lego Securities Limited
KGI Capital Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 24 October 2019. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 13,000,000 Hong Kong Offer Shares (subject to reallocation) for subscription by way of Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares in issue, the Offer Shares (including any Shares which may be issued or sold under the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally, but not jointly, agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional in accordance with its terms and not having been terminated in accordance with its terms or otherwise.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall have the absolute right by notice in writing to our Company to terminate the Hong Kong 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:

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- (a) there develops, occurs, exists or comes into force:
 - (i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development, or any prospective change or development, in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, credit, fiscal, regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, credit markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore or any other jurisdiction relevant to any member of our Group (collectively, the “**Relevant Jurisdictions**”, and each a “**Relevant Jurisdictions**”); or
 - (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic or pandemic outbreak of disease (including without limitation Severe Acute Respiratory Syndromes (SARS), Middle East Respiratory Syndromes (MERS), H5N1, H1N1, swine or avian influenza or such related/mutated forms)), economic sanctions, in or affecting any Relevant Jurisdiction; or
 - (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

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- (v) (A) any moratorium, suspension, restriction or limitation on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the American Stock Exchange, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services procedures or matters in or affecting any Relevant Jurisdiction; or
- (vi) any change or development involving a prospective change in taxation or exchange controls (or the implementation of exchange controls), currency exchange rates or foreign investment regulations in any Relevant Jurisdiction; or
- (vii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or
- (viii) any change or development involving a prospective change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or
- (ix) a valid demand by any tax authority for payment for any tax liability for any member of our Group; or
- (x) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of our Company vacating his office; or
- (xii) an authority or a political body or organisation in any jurisdiction commencing any investigation, action, claim, proceedings or other action, or announcing an intention to investigate or take any such other action, against any Director; or
- (xiii) save as disclosed in the section headed "Business – Non-compliance" in this prospectus, a contravention by any member of our Group of the Listing Rules or any applicable laws or regulations in the Cayman Islands, Hong Kong and the BVI; or

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- (xiv) an order or petition is presented for the winding up or liquidation of our Company and any of our subsidiaries, or the Company or any of our subsidiaries makes any compromise or arrangement with our creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of our subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any of our subsidiaries or anything analogous thereto occurs in respect of our Company or any of our subsidiaries; or
- (xv) a valid demand by any creditor for repayment or payment of any of our Company's indebtedness or those of any of our subsidiaries or in respect of which our Company or any of our subsidiaries is liable prior to its stated maturity; or
- (xvi) any loss or damage sustained by our Company or any of our subsidiaries as a result of a breach of its respective obligations or non-compliance with the applicable laws and regulations (however caused and whether or not the subject of any insurance or claim against any person); or
- (xvii) any litigation or claim being threatened or instigated against our Company or any of our subsidiaries or the covenantors as defined in the Hong Kong Underwriting Agreement (the "**Covenantors**"); or
- (xviii) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares (including our Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xix) non-compliance of Offering Documents (as defined in the Hong Kong Underwriting Agreement) or any aspect of the Global Offering with the Listing Rules or any other applicable laws or regulations (other than by the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters); or
- (xx) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of our Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xxi) any event which gives rise or would give rise to liability on the part of our Company pursuant to the indemnity provisions in the Hong Kong Underwriting Agreement; or

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- (xxii) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus,
- and which, individually or in aggregate, in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters),
- (A) has or may have or will have or is likely to have a materially adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, shareholders’ equity, profits, losses, trading position, results of operations, prospects, position or condition, financial or otherwise, or performance of our Group as a whole; or
- (B) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of indications of interest under the International Offering; or
- (C) makes, may make or will or is likely to make it impracticable or inadvisable or inexpedient for any part of the Hong Kong Underwriting Agreement or the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering and in the manner contemplated by this prospectus.
- (b) there has come to the notice of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) after the date of the Hong Kong Underwriting Agreement:
- (i) that any statement contained in this prospectus or other Offering Documents (as defined in the Hong Kong Underwriting Agreement) (including any supplement or amendment thereto) was, when it was issued, or has or may become untrue or incorrect or misleading in a material respect, or that any forecast, expression of opinion, intention or expectation contained therein is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
- (ii) that any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus which would or might constitute a material omission from this prospectus or the Application Forms and/or in any notices or announcements issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

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- (iii) that any of the warranties given by our Company or the Covenantors as set out in the Hong Kong Underwriting Agreement or the International Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached; or
- (iv) that any matter, event, act or omission which gives or is likely to give rise to any liability of our Company or the Covenantors pursuant to the indemnities given by our Company, the Covenantors or any of them under the Hong Kong Underwriting Agreement; or
- (v) that any material breach of any of the obligations or undertakings of any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than the Hong Kong Underwriters or the International Underwriters); or
- (vi) that any material adverse change or prospective material adverse change in the business, assets and liabilities, properties, profits, losses, results of operations, general affairs, shareholders' equity, management, prospects, position or condition, financial or otherwise, or performance of our Group as a whole, whether or not arising in the ordinary course of business, as determined by the Sole Global Coordinator in its sole and absolute discretion; or
- (vii) that our Company withdraws this prospectus and/or the Application Forms; or
- (viii) that approval by the Listing Committee for the listing of, and permission to deal in, our Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval for the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (ix) that any of the experts described under the section headed "Statutory and general information – G. Other information – 8. Qualification of experts" in Appendix IV to this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or opinions (as the case may be) and references to its name included in the form and context in which it respectively appears.

UNDERWRITING

Undertakings to the Stock Exchange Pursuant to the Listing Rules

(A) Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such issue 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 pursuant to the Global Offering (including the Over-allotment Option) in certain circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

By virtue of Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to our Company and the Stock Exchange that except pursuant to the Capitalisation Issue, the Global Offering, the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and the options that may be granted under the Share Option Scheme or the Stock Borrowing Agreement, they will not and will procure that the relevant registered holder(s) of our Shares will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

- (i) in the period commencing on the date by reference to which disclosure of their shareholdings 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 the Shares in respect of which they are shown to be the beneficial owner in this prospectus; and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph 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 or securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would then cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

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Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have undertaken to our Company and the Stock Exchange that within the period commencing on the date by reference to which disclosure for their shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, they will:

- (i) if they pledge or charge any Shares or other securities beneficially owned by them 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 for a bona fide commercial loan, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) if they receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

Our Company will inform the Stock Exchange in writing as soon as we have been informed of the matters referred to in the above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements of the Listing Rules as soon as possible.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by Our Company

Our Company has undertaken to each of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) pursuant to the Hong Kong Underwriting Agreement that, and our Controlling Shareholders further undertake to procure that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), the grant of options under the Pre-IPO Share Option Scheme or the Share Option Scheme and the issue of Shares on exercise thereof or as otherwise permitted under the Listing Rules, and provided that the below restrictions shall not apply to any pledge or charge of Shares by any of our Controlling Shareholders in favour of any authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, we will not, and will procure that our subsidiaries will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing from the date of the Hong Kong Underwriting Agreement and ending on the expiry of the six months immediately following 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 option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the share capital, debt capital or any securities of our Company

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or any of our subsidiaries or any interest therein or any voting right or any right attaching thereto (including, but not limited to, any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein) save as pursuant to the Repurchase Mandate; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein or any voting right or any other right attaching thereto; or
- (iii) enter into any transaction with the same economic effect as any forgoing transaction described in (i) and (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any foregoing transaction described in (i), (ii) and (iii) above;

whether any of the foregoing transactions described in (i), (ii) and (iii) above is to be settled by delivery of shares capital or such other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering (including upon the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme), and our Company has further agreed that, in the event of an issue or disposal of any Shares or any interest therein or any voting right or any other right attaching thereto during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), we will take all reasonable steps to ensure that such issue or disposal will not create a disorderly or false market in the securities of our Company.

(B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) pursuant to the Hong Kong Underwriting Agreement, that except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or the arrangement under the Stock Borrowing Agreement, he/it will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), and unless in compliance with the requirements of the Listing Rules:

- (i) at any time during the First Six-Month Period, offer, pledge, charge (other than any pledge or charge of the issued share capital of our Company after the consummation of the Global Offering in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan in compliance with Rule 10.07(2) of the Listing Rules), 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, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein held by him/it or any voting right

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or any other right attaching thereto (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) whether currently held or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of share capital or other such securities, in cash or otherwise or offer or to agree to do any of the foregoing or announce any intention to do so, provided that the restriction shall not apply to the lending of Shares pursuant to the Stock Borrowing Agreement or any pledge or charge of Shares by any of our Controlling Shareholders in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan;

- (ii) at any time during the Second Six-Month Period enter into any of the transactions described in (i) above if, immediately following such transaction, he/it would cease to be the controlling shareholder (as defined in the Listing Rules) of our Company provided that the restriction shall not apply to any pledge or charge of Shares by any of our Controlling Shareholders in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan; and
- (iii) in the event of a disposal by him/it of any share capital or any interest therein or any voting right or any other right attaching thereto during the period referred to in (ii) above, he/it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of our Company.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with, among others, our Controlling Shareholders, the Sole Global Coordinator and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally, but not jointly, agree to purchase the International Offering Shares or procure purchasers for the International Offer Shares. The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, our Company will give undertakings similar to as those given pursuant to the Hong Kong Underwriting Agreement as described in “Underwriting arrangements and expenses – Hong Kong Public Offering – Undertakings pursuant to the Hong Kong Underwriting Agreement – (A) Undertakings by our Company” in this section.

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Under the International Underwriting Agreement, our Company expects to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 19,500,000 additional Shares, representing in aggregate not more than 15% of the number of Offer Shares initially available under the Global Offering. These additional Shares will be issued or sold at the Offer Price and used to cover over-allocation, if any, in the International Offering.

It is expected that each of our Controlling Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in our Company for a period similar to such undertakings given by them pursuant to the Hong Kong Underwriting Agreement, which is described in “Underwriting arrangements and expenses – Undertakings pursuant to the Hong Kong Underwriting Agreement – (B) Undertakings by our Controlling Shareholders” in this section.

Underwriting commission and expenses

The Hong Kong Underwriters will receive a commission of 6.4% of the aggregate Offer Price of all the Offer Shares (including any Shares to be allotted and issued pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commission. Excluding the commission payable to the International Underwriters and the Hong Kong Underwriters, the expenses paid and payable including the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering are currently estimated to be about HK\$32.4 million in aggregate (based on an Offer Price of HK\$1.14 per Share, being the mid-point of the stated range of the Offer Price between HK\$0.97 and HK\$1.31 per Share, and on the assumption that the Over-allotment Option is not exercised) is to be borne by our Company. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Sole Global Coordinator and the relevant International Underwriters (but not the Hong Kong Underwriters).

INDEMNITY

Our Company and each of our Controlling Shareholders have agreed to indemnify, among others, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

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SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable set out in Rule 3A.07 of the Listing Rules. For further details, please refer to the section headed “Statutory and general information – G. Other information – 3. Sole Sponsor” in Appendix IV to this prospectus.

UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sole Global Coordinator and other Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set out in the paragraph headed “Underwriting commission and expenses” in this section for further details.

Our Company has appointed Dongxing Securities as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first financial year commencing after such Listing Date, or until the agreement is terminated, whichever is earlier.

Other than pursuant to the Underwriting Agreements, none of the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

MINIMUM PUBLIC FLOAT

Our Directors and the Sole Global Coordinator will ensure that there will be a minimum 25% of the total number of issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares,

UNDERWRITING

entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of our Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of the price of our Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Dongxing Securities is the Sole Sponsor and the Sole Global Coordinator. Dongxing Securities, Glory Sun Securities, Yue Xiu Securities, VMI Securities and Zhongtai International Securities are the Joint Bookrunners and the Joint Lead Managers.

130,000,000 Offer Shares will be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of 13,000,000 Shares (subject to reallocation) in Hong Kong as described under the paragraph headed “The Hong Kong Public Offering” in this section below; and
- (b) the International Offering of 117,000,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S of the U.S. Securities Act as described under the paragraph headed “The International Offering” in this section below.

Up to 19,500,000 additional Shares may be offered pursuant to the exercise of the Over-allotment Option as set forth in the paragraph headed “The International Offering” in this section below.

Investors may either apply for the Offer Shares under the Hong Kong Public Offering; or indicate an interest, if qualified to do so, for the Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the Offer Shares to institutional and professional investors and other investors outside the United States in reliance on Regulation S of the U.S. Securities Act. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. The Offer Shares will represent 25% of the total number of Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options or any options which may be granted under the Share Option Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the total number of Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option and without taking into account any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options or any options which may be granted under the Share Option Scheme.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 13,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. The number of Shares offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent 2.5% of the total number of Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options or any options which may be granted under the Share Option Scheme.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) agreeing on the Offer Price. Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “Conditions of the Global Offering” in this section below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering referred to below) will be divided into two pools (subject to adjustment of odd lot size): pool A and pool B.

STRUCTURE OF THE GLOBAL OFFERING

Pool A will comprise 6,500,000 Hong Kong Offer Shares and pool B will comprise 6,500,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage of 1.0%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee 0.005%) of HK\$5 million or below will fall into pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage of 1.0%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee 0.005%) of over HK\$5 million and up to the total value of pool B will fall into pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only apply for Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only receive Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools will be rejected.

Multiple applications or suspected multiple applications and any application for more than 6,500,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Assuming that the Over-allotment Option is not exercised, the allocation of the Offer Shares shall be subject to reallocation on the following basis:

- (a) where the International Offer Shares are fully subscribed or oversubscribed and:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Sole Global Coordinator (for itself and on behalf of the other Underwriters) has the authority (but not the obligation) in their absolute discretion to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deem appropriate to satisfy demand under the International Offering;

STRUCTURE OF THE GLOBAL OFFERING

- (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then at the discretion of the Sole Global Coordinator (for itself and on behalf of the other Underwriters), up to 13,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 26,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);
- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 26,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 39,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);
- (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 39,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 52,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and
- (v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 52,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 65,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

STRUCTURE OF THE GLOBAL OFFERING

- (b) where the International Offer Shares are undersubscribed:
- (i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering 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 Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Hong Kong Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 13,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Share available under the Hong Kong Public Offering may be increased to not more than 26,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

In addition, the Sole Global Coordinator (for itself and on behalf of the other Underwriters) may reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEx-GL-91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall not be more than double the initial allocation to the Hong Kong Public Offering (i.e. 26,000,000 Shares).

In the event of a reallocation of the Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances under paragraphs (a)(ii), (a)(iii), (a)(iv), (a)(v) or (b)(ii) above, the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

In the event of a reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering in the circumstances under paragraphs (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.97 per Offer Share) stated in this prospectus.

Applications

The Sole Global Coordinator (for itself and on behalf of the other Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

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Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) 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 International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) International Offer Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$1.31 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$3,308.00 for one board lot of 2,500 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" below, is less than the maximum Offer Price of HK\$1.31 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an offering of initially 117,000,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering. The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "bookbuilding" process described in the paragraph headed "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and

STRUCTURE OF THE GLOBAL OFFERING

whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the other Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the reallocation arrangement described in the paragraph headed “The Hong Kong Public Offering” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 19,500,000 additional Offer Shares, representing 15% of the initial number of Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of the total number of Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option and without taking into account any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options or any options which may be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made.

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Stock Borrowing Agreement

Dongxing Securities, as the Stabilising Manager, or any person acting for it may choose to borrow Shares from the Lending Shareholders under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercise of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with the Lending Shareholders will only be effected by the Stabilising Manager for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering;
- the maximum number of Shares borrowed under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to the respective Lending Shareholders or their respective nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated, and (iii) such earlier time as the parties may from this to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to the Lending Shareholders by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, inter alia, to retard and, if possible, prevent, a decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

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In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of the Shares for a limited period after the Listing Date at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilising Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilising Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilising Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising action, which if taken, (a) will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it, (b) may be discontinued at any time, and (c) is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be issued under the Over-allotment Option, namely, 19,500,000 Offer Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilising actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (a) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares;
- (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any deduction in the market price of the Shares;
- (c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

STRUCTURE OF THE GLOBAL OFFERING

- (e) selling or agreeing to sell any Shares to liquidate any position established as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilising actions by the Stabilising Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

Prospective applications for investors in the Offer Shares should note that:

- (a) as a result of effecting transactions to stabilise or maintain the market price of the Shares, the Stabilising Manager, or any person acting for it, may maintain a long position in the Shares;
- (b) the size of the long position, and the period for which the Stabilising Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilising Manager and is uncertain;
- (c) liquidation of any such long position by the Stabilising Manager and selling in the open market may lead to a decline in the market price of the Shares;
- (d) no stabilising action can be taken to support the price of the Shares for longer than the stabilising period, which begins on the Listing Date, and is expected to expire on Friday, 29 November 2019, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and their market price, could fall after the end of the stabilising period. These activities by the Stabilising Manager may stabilise, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market;
- (e) any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilising period; and
- (f) stabilising bids or transactions effected in the course of the stabilising action may be made at a price at or below the Offer Price and therefore at or below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

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PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, 30 October 2019 and in any event on or before Wednesday, 6 November 2019, by agreement between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$1.31 per Share and is expected to be not less than HK\$0.97 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **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 minimum Offer Price stated in this prospectus.**

The Sole Global Coordinator, for itself and on behalf of the other Underwriters, may, where considered appropriate, based on the level of indications of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering:

- (a) cause notice of the reduction to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.acmehld.com;
- (b) issue a supplemental prospectus, as the relevant laws or government authority or regulatory authorities may require updating investors of the change in the number of Offer Shares offered and/or the Offer Price range together with an update of all financial and other information in connection with such change;
- (c) extend the period under which the Global Offering was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and

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- (d) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

Upon issue of such a notice and supplemental prospectus, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price Range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon with our Company and the Sole Global Coordinator, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Sole Global Coordinator (for itself and on behalf of the other Underwriters) may at its discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator (for itself and on behalf of the other Underwriters).

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocation in the Hong Kong Public Offering are expected to be announced on Thursday, 7 November 2019 through a variety of channels in the manner described in “How to apply for Hong Kong Offer Shares – 11. Publication of results” in this prospectus.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) agreeing on the Offer Price.

STRUCTURE OF THE GLOBAL OFFERING

We expect to enter into the International Underwriting Agreement relating to the International Offering on or about the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (i) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares to be offered pursuant to the Global Offering as mentioned herein (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn;
- (ii) the Offer Price having been duly agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) on the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining 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 the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) on or before Wednesday, 6 November 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange (www.hkexnews.hk) and the website of our Company

STRUCTURE OF THE GLOBAL OFFERING

(www.acmehld.com) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in section entitled “How to apply for Hong Kong Offer Shares” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licenced bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Thursday, 7 November 2019 but will only become valid certificates of title at 8:00 a.m. on Friday, 8 November 2019 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in “Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for termination” in this prospectus has not been exercised at or before that time.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling our Shares to be admitted into CCASS. If the Stock Exchange grants the approval for the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our 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 our 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 Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 8 November 2019, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 8 November 2019. The Shares will be traded in board lots of 2,500 Shares. The stock code of the Shares will be 1870.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong 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.

Our Company, the Sole Global Coordinator, **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply 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.

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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If an application is made by a duly authorised person under a valid power of attorney, our Company and the Sole Global Coordinator, as our Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority. Our Company and the Sole Global Coordinator, as our Company's agent, will have full discretion to reject or accept any application, in full or in part, without giving any reason.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- are a director or chief executive officer of our Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- are 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 Global Offering; or
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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, 25 October 2019 until 12:00 noon on Wednesday, 30 October 2019 from:

- (i) the following offices of the Hong Kong Underwriters:

Dongxing Securities (Hong Kong) Company Limited
Room 6805-6806A, 68/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Glory Sun Securities Limited
Unit 1703-06, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Yue Xiu Securities Company Limited
13/F, Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

VMI Securities Limited
Suite 2308, 23/F Tower 1, Lippo Centre
89 Queensway
Hong Kong

Zhongtai International Securities Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Lego Securities Limited
Room 301, 3/F, China Building
29 Queen's Road Central
Central
Hong Kong

KGI Capital Asia Limited
41/F, Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) any of the branches of the following receiving bank:

Industrial and Commercial Bank of China (Asia) Limited

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Central Branch	1/F., 9 Queen's Road Central, Hong Kong
	Wanchai Branch	117-123 Hennessy Road, Wanchai, Hong Kong
Kowloon	Tsim Sha Tsui Branch	Shop 1&2, G/F, No. 35-37 Hankow Road, Tsimshatsui, Kowloon
	Kwun Tong Branch	Shop 5&6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon
New Territories	Yuen Long Branch	G/F, 197-199 Castle Peak Road, Yuen Long, New Territories
	Shatin Branch	Shop 22J, Level 3, Shatin Centre, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 25 October 2019 until 12:00 noon on Wednesday, 30 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 – Acme International Holdings 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, 25 October 2019 – 9:00 a.m. to 5:00 p.m.
- Saturday, 26 October 2019 – 9:00 a.m. to 1:00 p.m.
- Monday, 28 October 2019 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 29 October 2019 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 30 October 2019 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 30 October 2019, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully; otherwise, your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through **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 Sole Global Coordinator (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 Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (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 Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (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 International Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, 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 Sole Global Coordinator, 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 (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xiv) agree to accept the Hong Kong 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 Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the "Personal collection" section in the prospectus 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;
- (xvii) understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (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 anyone as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. 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 **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 **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application to **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, 25 October 2019 until 11:30 a.m. on Wednesday, 30 October 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 30 October 2019 or such later time under the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

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 Hong Kong 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 application 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 **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).

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange **payment** of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 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 Centre
1/F, One & Two Exchange Square
8 Connaught Place
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- 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 International Offering;
- (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, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, 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 Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (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 Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

HOW TO APPLY FOR HONG KONG OFFER 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, the Companies 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 Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,500 Hong Kong Offer Shares. Instructions for more than 2,500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER 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, 25 October 2019 – 9:00 a.m. to 8:30 p.m.
- Monday, 28 October 2019 – 8:00 a.m. to 8:30 p.m.
- Tuesday, 29 October 2019 – 8:00 a.m. to 8:30 p.m.
- Wednesday, 30 October 2019 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 25 October 2019 until 12:00 noon on Wednesday, 30 October 2019 (24 hours daily, except on 30 October 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 30 October 2019, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

Note:

- (1) The times in this sub-section 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.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, 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 Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, 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 **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 30 October 2019.

HOW TO APPLY FOR HONG KONG OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **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 HONG KONG OFFER SHARES

The 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), 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, please refer to the section headed “Structure of the Global Offering – Pricing of the Global Offering” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 30 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 or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 30 October 2019 or if there is a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions 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 International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 7 November 2019 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company’s website at www.acmehld.com and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.acmehld.com and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Thursday, 7 November 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 Thursday, 7 November 2019 to 12:00 mid-night on Wednesday, 13 November 2019;
- by telephone enquiry line by calling +825 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 7 November 2019 to Tuesday, 12 November 2019 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 7 November 2019 to Monday, 11 November 2019 at all the receiving bank branches and sub-branches.

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 Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list our 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) Hong Kong Offer Shares and International Offer Shares;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.hkeipo.hk;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.31 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 7 November 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

HOW TO APPLY FOR HONG KONG OFFER SHARES

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 7 November 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. on Friday, 8 November 2019 provided that the Global Offering has become unconditional 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 Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares on a **WHITE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Branch Share Registrar, 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 Thursday, 7 November 2019 or such other date as notified by us in the newspapers.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Hong Kong Offer Shares on a **WHITE** Application Form, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 7 November 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 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 7 November 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 7 November 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 Hong Kong Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 7 November 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more 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 Thursday, 7 November 2019, or such other date as notified by our Company in the newspapers 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 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 7 November 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 7 November 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- 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 Hong Kong Public Offering in the manner specified in the paragraph headed “D. Publication of results” above on Thursday, 7 November 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 7 November 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 Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 7 November 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 7 November 2019.

HOW TO APPLY FOR HONG KONG OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the approval for the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our 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 our 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 our Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ACME INTERNATIONAL HOLDINGS LIMITED AND DONGXING SECURITIES (HONG KONG) COMPANY LIMITED

Introduction

We report on the historical financial information of Acme International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-73, which comprises the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 30 April 2019, the company statements of financial position as at 31 December 2018 and 30 April 2019, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-73 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 25 October 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's 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 accountant's 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 accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 accountant's report, a true and fair view of the financial position of the Company as at 31 December 2018 and 30 April 2019 and the consolidated financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 April 2019 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the four months ended 30 April 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the

Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 32 to the Historical Financial Information which contains information about the dividend paid by a company now comprising the Group in respect of the Track Record Period. No dividends have been paid by Acme International Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

25 October 2019

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers 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.

CONSOLIDATED INCOME STATEMENTS

	Note	Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(Unaudited)
Revenue	5	481,042	423,751	466,129	155,957	170,670
Cost of sales	8	(396,456)	(336,865)	(375,021)	(123,426)	(132,379)
Gross profit		84,586	86,886	91,108	32,531	38,291
Other income	6	1,796	1,603	1,704	678	732
Other (losses)/gains, net	7	(1,385)	75	44,415	242	224
Administrative expenses	8	(15,079)	(15,768)	(26,030)	(4,622)	(14,563)
Operating profit		69,918	72,796	111,197	28,829	24,684
Finance income	10	283	380	674	196	233
Finance costs	10	(746)	(1,210)	(834)	(166)	(158)
Finance (costs)/income, net	10	(463)	(830)	(160)	30	75
Profit before income tax		69,455	71,966	111,037	28,859	24,759
Income tax expense	11	(11,329)	(11,562)	(12,146)	(4,459)	(5,065)
Profit for the year/period		58,126	60,404	98,891	24,400	19,694
Profit attributable to:						
Owners of the Company		49,975	52,667	80,135	22,772	19,579
Non-controlling interests		8,151	7,737	18,756	1,628	115
		58,126	60,404	98,891	24,400	19,694
Earnings per share attributable to owners of the Company for the year/period						
– Basic and diluted	12	8,329	8,778	13,356	3,795	3,263

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(Unaudited)
Profit for the year/period		58,126	60,404	98,891	24,400	19,694
Other comprehensive income/(loss):						
<i>Item that will not be reclassified to consolidated income statement</i>						
Changes in the fair value of financial assets at fair value through other comprehensive income	16	3,465	7,173	(6,456)	(513)	1,300
Other comprehensive income/(loss) for the year/period		3,465	7,173	(6,456)	(513)	1,300
Total comprehensive income for the year/period		<u>61,591</u>	<u>67,577</u>	<u>92,435</u>	<u>23,887</u>	<u>20,994</u>
Total comprehensive income attributable to:						
Owners of the Company		52,573	58,046	75,293	22,388	20,672
Non-controlling interests		9,018	9,531	17,142	1,499	322
		<u>61,591</u>	<u>67,577</u>	<u>92,435</u>	<u>23,887</u>	<u>20,994</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December			As at
		2016	2017	2018	30 April
		HK\$'000	HK\$'000	HK\$'000	2019
					HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	7,498	7,049	6,207	5,367
Deferred income tax assets	26	412	442	436	439
Financial assets at fair value through other comprehensive income	16	24,322	33,081	28,300	30,320
Deposits, prepayments and other receivables	20	525	237	606	993
		<u>32,757</u>	<u>40,809</u>	<u>35,549</u>	<u>37,119</u>
Current assets					
Inventories	17	6,255	11,893	13,484	10,040
Trade and retention receivables	18	96,478	49,263	50,413	30,905
Contract assets	19	56,198	97,834	127,478	148,647
Deposits, prepayments and other receivables	20	1,558	4,848	21,290	9,291
Income tax recoverable		–	–	5,711	4,847
Amounts due from directors	31(d)	50	1,078	612	1,000
Pledged deposits	21	21,217	23,921	44,569	40,964
Time deposits	21	4,044	–	2,498	2,555
Restricted deposits	21	–	–	–	10,000
Cash and cash equivalents	21	158,298	181,457	70,124	45,120
		<u>344,098</u>	<u>370,294</u>	<u>336,179</u>	<u>303,369</u>
Total assets		<u>376,855</u>	<u>411,103</u>	<u>371,728</u>	<u>340,488</u>
EQUITY					
Equity attributable to owners of the Company					
Share capital	22	–	–	–	–
Combined share capital	22	2,350	2,350	2,350	–
Reserves	22	144,649	202,695	229,238	242,915
		<u>146,999</u>	<u>205,045</u>	<u>231,588</u>	<u>242,915</u>
Non-controlling interests		<u>24,429</u>	<u>33,960</u>	<u>34,852</u>	<u>–</u>
Total equity		<u>171,428</u>	<u>239,005</u>	<u>266,440</u>	<u>242,915</u>

	Note	As at 31 December			As at
		2016	2017	2018	30 April
		HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000	
LIABILITIES					
Non-current liabilities					
Lease liabilities	23	37	–	2,032	1,327
Deferred income tax liabilities	26	34	31	23	20
Provisions	27	1,520	1,929	1,682	1,292
		<u>1,591</u>	<u>1,960</u>	<u>3,737</u>	<u>2,639</u>
Current liabilities					
Trade, bills and retention payables	24	69,442	69,297	37,956	43,006
Other payables and accruals	24	455	761	7,496	4,396
Dividend payable	24	1,000	–	–	–
Contract liabilities	19	81,110	52,048	39,568	23,378
Amounts due to directors	31(d)	58	–	80	21
Amount due to a related party	31(d)	6,243	3,618	–	–
Income tax liabilities		17,945	25,969	2,732	6,939
Bank borrowings	25	25,110	15,842	8,856	12,347
Lease liabilities	23	73	37	2,030	2,072
Provisions	27	2,400	2,566	2,833	2,775
		<u>203,836</u>	<u>170,138</u>	<u>101,551</u>	<u>94,934</u>
Total liabilities		<u>205,427</u>	<u>172,098</u>	<u>105,288</u>	<u>97,573</u>
Total equity and liabilities		<u>376,855</u>	<u>411,103</u>	<u>371,728</u>	<u>340,488</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December 2018	As at 30 April 2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Investments in subsidiaries (<i>Note</i>)		–	242,046
		-----	-----
Current assets			
Prepayments		2,394	4,084
Cash on hand (<i>Note</i>)		–	–
		-----	-----
		<u>2,394</u>	<u>4,084</u>
		-----	-----
Total assets		<u>2,394</u>	<u>246,130</u>
		-----	-----
(DEFICITS)/EQUITY			
(Deficits)/Equity attributable to owners of the Company			
Share capital (<i>Note</i>)	22	–	–
Reserves	22	<u>(7,631)</u>	<u>227,963</u>
		-----	-----
Total (deficits)/equity		<u>(7,631)</u>	<u>227,963</u>
		-----	-----
LIABILITIES			
Current liabilities			
Other payables and accruals		1,460	3,454
Amounts due to subsidiaries		<u>8,565</u>	<u>14,713</u>
		-----	-----
Total liabilities		<u>10,025</u>	<u>18,167</u>
		-----	-----
Total equity and liabilities		<u>2,394</u>	<u>246,130</u>
		-----	-----

Note: As at 31 December 2018, the Company had investments in subsidiaries, cash on hand and share capital of HK\$16, HK\$0.01 and HK\$0.01 respectively.

As at 30 April 2019, the Company had cash on hand and share capital of HK\$0.06 and HK\$0.06 respectively.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital	Combined share capital	Revaluation reserve	Share-based payment reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balances as at 1 January 2016	-	2,350	-	-	-	92,826	95,176	15,661	110,837
Comprehensive income									
Profit for the year	-	-	-	-	-	49,975	49,975	8,151	58,126
Other comprehensive income									
Fair value gains on financial assets at fair value through other comprehensive income	-	-	2,598	-	-	-	2,598	867	3,465
Total comprehensive income	-	-	2,598	-	-	49,975	52,573	9,018	61,591
Transaction with owners in their capacity as owners									
Dividends (Note 32)	-	-	-	-	-	(750)	(750)	(250)	(1,000)
Total transaction with owners in their capacity as owners	-	-	-	-	-	(750)	(750)	(250)	(1,000)
Balances as at 31 December 2016 and 1 January 2017	-	2,350	2,598	-	-	142,051	146,999	24,429	171,428
Comprehensive income									
Profit for the year	-	-	-	-	-	52,667	52,667	7,737	60,404
Other comprehensive income									
Fair value gains on financial assets at fair value through other comprehensive income	-	-	5,379	-	-	-	5,379	1,794	7,173
Total comprehensive income	-	-	5,379	-	-	52,667	58,046	9,531	67,577
Balances as at 31 December 2017 and 1 January 2018	-	2,350	7,977	-	-	194,718	205,045	33,960	239,005
Comprehensive income									
Profit for the year	-	-	-	-	-	80,135	80,135	18,756	98,891
Other comprehensive loss									
Fair value loss on financial assets at fair value through other comprehensive income	-	-	(4,842)	-	-	-	(4,842)	(1,614)	(6,456)
Total comprehensive (loss)/income	-	-	(4,842)	-	-	80,135	75,293	17,142	92,435
Transaction with owners in their capacity as owners									
Dividends (Note 32)	-	-	-	-	-	(48,750)	(48,750)	(16,250)	(65,000)
Total transaction with owners in their capacity as owners	-	-	-	-	-	(48,750)	(48,750)	(16,250)	(65,000)
Balances as at 31 December 2018 and 1 January 2019	-	2,350	3,135	-	-	226,103	231,588	34,852	266,440

	Attributable to owners of the Company								
	Share capital	Combined share capital	Revaluation reserve	Share-based payment reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Comprehensive income									
Profit for the period	-	-	-	-	-	19,579	19,579	115	19,694
Other comprehensive income									
Fair value gains on financial assets at fair value through other comprehensive income	-	-	1,093	-	-	-	1,093	207	1,300
Total comprehensive income	-	-	1,093	-	-	19,579	20,672	322	20,994
Transaction with owners in their capacity as owners									
Issue of share pursuant to the Reorganisation (Note 1.2)	-	-	-	-	-	-	-	-	-
Transaction with non-controlling shareholder (Note 30)	-	-	-	-	35,174	-	35,174	(35,174)	-
Reclassification of combined share capital to other reserve pursuant to Reorganisation (Note 1.2)	-	(2,350)	-	-	2,350	-	-	-	-
Share-based payment expenses (Note 22(d))	-	-	-	481	-	-	481	-	481
Dividends (Note 32)	-	-	-	-	-	(45,000)	(45,000)	-	(45,000)
Total transaction with owners in their capacity as owners	-	(2,350)	-	481	37,524	(45,000)	(9,345)	(35,174)	(44,519)
Balances as at 30 April 2019	<u>-</u>	<u>-</u>	<u>4,228</u>	<u>481</u>	<u>37,524</u>	<u>200,682</u>	<u>242,915</u>	<u>-</u>	<u>242,915</u>
(Unaudited)									
Balances as at 1 January 2018	-	2,350	7,977	-	-	194,718	205,045	33,960	239,005
Comprehensive income									
Profit for the period	-	-	-	-	-	22,772	22,772	1,628	24,400
Other comprehensive loss									
Fair value loss on financial assets at fair value through other comprehensive income	-	-	(384)	-	-	-	(384)	(129)	(513)
Total comprehensive (loss)/income	-	-	(384)	-	-	22,772	22,388	1,499	23,887
Balances as at 30 April 2018	<u>-</u>	<u>2,350</u>	<u>7,593</u>	<u>-</u>	<u>-</u>	<u>217,490</u>	<u>227,433</u>	<u>35,459</u>	<u>262,892</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Cash flows from operating activities						
Cash generated from/(used in) operations	28(a)	29,162	34,155	(22,740)	29,366	25,332
Income tax paid		(6,358)	(3,571)	(41,096)	–	–
Net cash generated from/(used in) operating activities		22,804	30,584	(63,836)	29,366	25,332
Cash flows from investing activities						
Purchases of property, plant and equipment		(410)	(254)	(1,285)	(66)	(559)
Payments for financial assets at fair value through other comprehensive income		(19,934)	–	–	–	–
(Increase)/decrease in time deposits		(4,044)	4,044	(2,597)	–	–
Interest received		283	380	674	196	233
Dividend received		587	–	–	–	–
Net cash (used in)/generated from investing activities		(23,518)	4,170	(3,208)	130	(326)
Cash flows from financing activities						
Proceeds from borrowings	28(c)	87,113	74,338	47,892	7,123	16,255
Repayments of borrowings	28(c)	(72,352)	(84,482)	(54,536)	(19,904)	(12,665)
Repayments of lease liabilities	28(c)	(73)	(73)	(519)	(25)	(663)
Decrease/(increase) in pledged deposits		6,008	(1,895)	(21,167)	(21,649)	3,826
Increase in restricted deposits		–	–	–	–	(10,000)
Dividends paid to owners of the Company		(300)	(750)	(8,925)	–	(45,000)
Dividends paid to non-controlling interests		(100)	(250)	(2,975)	–	–
Interest paid		(746)	(1,210)	(834)	(166)	(158)
Listing expense paid		–	–	(1,942)	(495)	(1,302)
Net cash generated from/(used in) financing activities		19,550	(14,322)	(43,006)	(35,116)	(49,707)
Net increase/(decrease) in cash and cash equivalents						
Cash and cash equivalents at beginning of the year/period		139,656	158,298	181,457	181,457	70,124
Effect of foreign exchange rate changes		(194)	2,727	(1,283)	657	(303)
Cash and cash equivalents at end of the year/period	21	158,298	181,457	70,124	176,494	45,120

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Acme International Holdings Limited (“the Company”) was incorporated in the Cayman Islands on 17 August 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively the “Group”) are principally engaged in the provision of design and build solutions for façade works (“Façade Work Business”) and provision of design and build solutions for building maintenance unit (BMU) systems (“BMU Systems Business”) in Hong Kong (the “Listing Business”). The ultimate holding companies of the Company are RR (BVI) Limited (“RR”) and SV (BVI) Limited (“SV”). The ultimate controlling parties of the Group are Mr. Kwan Kam Tim (“Mr. Kwan”) and Mr. Mak Kim Hung (“Mr. Mak”). Mr. Kwan and Mr. Mak are collectively referred to as the Controlling Shareholders (“Controlling Shareholders”) of the Group.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the Reorganisation (the “Reorganisation”), the Listing Business was carried out by Acme Metal Works (International) Limited (the “Acme Metal”) and Acme Gondola Systems Limited (the “Acme Gondola”) (collectively, the “Operating Entities”) which were under control of Mr. Kwan and Mr. Mak throughout the Track Record Period.

In preparation for the listing of the Company’s share on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation, pursuant to which the companies engaged in the Listing Business were transferred to the Company. The Reorganisation involved the following steps:

- (i) On 16 July 2018, RR and SV were incorporated in the British Virgin Islands (the “BVI”) and were wholly owned by Mr. Kwan and Mr. Mak respectively.
- (ii) On 17 August 2018, the Company was incorporated in the Cayman Islands with initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value of HK\$0.01 each. Upon its incorporation, one share at par value was allotted and issued, credited as fully paid, to the initial subscriber. On the same day, the initial subscriber transferred one share to SV.
- (iii) On 27 August 2018, Acme Metal BVI Limited (the “Acme Metal BVI”) and Acme Gondola (BVI) Limited (“Acme Gondola BVI”) were incorporated in the BVI. Upon the incorporation, the Company subscribed for one ordinary shares each in Acme Metal BVI and Acme Gondola BVI respectively at a subscription price of US\$1.00 per share, which have been fully paid.
- (iv) On 27 December 2018, Mr. Pong Chi Sing (“Mr. Pong”) and Mr. Kwan entered into a sale and purchase agreement, pursuant to which Mr. Pong agreed to sell and Mr. Kwan agreed to purchase 360,000 shares in Acme Metal (representing 12% of the entire issued share capital in Acme Metal) for a consideration of HK\$25,920,000. On the same date, Mr. Pong and Mr. Mak entered into a sale and purchase agreement, pursuant to which Mr. Pong agreed to sell and Mr. Mak agreed to purchase 390,000 shares in Acme Metal (representing 13% of the entire issued share capital in Acme Metal) for a consideration of HK\$28,080,000. Acme Metal was owned as to 50% by Mr. Kwan and 50% by Mr. Mak and Mr. Pong ceased to have any interest in Acme Metal upon the settlement on 31 January 2019 (Note 30).
- (v) On 19 February 2019, the Company allotted and issued one share at par value, credited as fully paid, to RR.
- (vi) On 28 February 2019, Mr. Kwan, Mr. Mak, RR, SV, the Company, Acme Metal BVI and Acme Metal entered into a reorganisation agreement, pursuant to which Mr. Kwan and Mr. Mak transferred their respective interests in Acme Metal to Acme Metal BVI and the Company issued and allotted one share each, all credited as fully paid, to RR and SV. Acme Metal became an indirect wholly-owned subsidiary of the Company upon completion.

- (vii) On 28 February 2019, Mr. Kwan, Mr. Mak, Mr. Poon Pui Kit (“Mr. Poon”), who held 49% equity interests of Acme Gondola on behalf of Mr. Kwan for 24% and Mr. Mak for 25%, RR, SV, the Company, Acme Gondola BVI and Acme Gondola entered into a reorganisation agreement, pursuant to which Mr. Kwan, Mr. Mak and Mr. Poon transferred their respective interests in Acme Gondola to Acme Gondola BVI and the Company issued and allotted one share each, all credited as fully paid, to RR and SV. Acme Gondola became an indirect wholly-owned subsidiary of the Company upon completion.

After the completion of the reorganisation steps as described above, the Company became the holding company of the subsidiaries now comprising the Group.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	Country/place and date of incorporation/establishment	Registered/Issued and paid-up capital	Attributable equity interest of the Group					As at the date of this report	Principal activities/place of operation	Statutory auditors				Note
			31 December			30 April	2019			31 December			30 April	
			2016	2017	2018	2016				2017	2018	2019		
Directly owned:														
Acme Metal BVI Limited	BVI, 27 August 2018	United States Dollars (“US\$”) US\$1	N/A	N/A	100%	100%	100%	Investment holding, BVI	N/A	N/A	N/A	N/A	(1), (2)	
Acme Gondola BVI Limited	BVI, 27 August 2018	US\$1	N/A	N/A	100%	100%	100%	Investment holding, BVI	N/A	N/A	N/A	N/A	(1), (2)	
Indirectly owned:														
Acme Metal Works (International) Limited	Hong Kong, 8 December 1989	HK\$3,000,000	75%	75%	75%	100%	100%	Provision of design and build solutions for façade works, Hong Kong	Messrs. GALA Certified Public Accountants	Messrs. GALA Certified Public Accountants	Note (3)	N/A	(1)	
Acme Gondola Systems Limited	Hong Kong, 17 January 2001	HK\$100,000	100%	100%	100%	100%	100%	Provision of design and build solutions for BMU systems, Hong Kong	Messrs. GALA Certified Public Accountants	Messrs. GALA Certified Public Accountants	Note (3)	N/A	(1)	

Notes:

- (1) All companies comprising the Group have adopted 31 December as their financial year end date.
- (2) No audited financial statements were issued for these companies as there is no statutory requirement in its place of incorporation.
- (3) Audited financial statements have yet to be issued for these companies for the year ended 31 December 2018.

1.3 Basis of presentation

The companies now comprising the Group, engaging in the Façade Works Business and the BMU systems Business, were under common control of Mr. Kwan and Mr. Mak, the ultimate controlling parties, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control, and for the purpose of this report, the Historical Financial Information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants.

The Historical Financial Information has been prepared by including the historical financial information of the companies engaged in the Façade Works Business and the BMU systems Business, under the common control of Mr. Kwan and Mr. Mak immediately before and after the Reorganisation and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of Mr. Kwan and Mr. Mak, whichever is a shorter period.

The net assets of the combining companies were combined using the existing book values from Mr. Kwan and Mr. Mak's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

For companies acquired from or disposed to a third party during each of the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, they are included in or excluded from the historical financial information of the Group from the date of the acquisition or disposal.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Company has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Group has consistently adopted HKFRS 9 "Financial instruments" ("HKFRS 9"), HKFRS 15 "Revenue from contracts with customers" ("HKFRS 15") and HKFRS 16 "Leases" ("HKFRS 16") throughout the Track Record Period. The Historical Financial Information has been prepared under the historical cost convention, as modified by the financial assets at fair value through other comprehensive income which are carried at fair values.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4.

New standards and amendments to existing standards not yet adopted by the Group

The following are new standards and amendments to existing standards that have been published and are mandatory for the Group's accounting periods beginning after 1 January 2020 or later periods, but have not been early adopted by the Group:

		Effective for accounting year beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of assessing potential impact of the above other new standards and amendments to existing standards that is relevant to the Group upon initial application. According to the preliminary assessment made by the management of the Company, management does not anticipate any significant impact on the Group's financial position and results of operations upon adopting the above new standards and amendments to existing standards. The management of the Group plans to adopt these new standards and amendments to existing standards when they become effective.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are entities (including a structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Common control combinations*

For common control combinations, the consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combinations, to the extent of the continuation of the controlling party's interest.

The consolidated income statement and consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, etc., incurred in relation to the common control combination is recognised as an expense in the year in which it is incurred.

2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.2.3 *Change in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Hong Kong Dollars, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

All foreign exchange gains and losses are presented in the consolidated income statement within other (losses)/gains, net.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Leasehold land	Shorter of lease terms or estimated useful life
Buildings	4%
Furniture and fixtures	20%
Leasehold improvements	Shorter of lease terms or estimated useful life

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within other (losses)/gains, net in the consolidated income statements.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are at least tested annually for impairment. Assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets**(a) Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See Note 15 for details about each type of financial asset.

(b) Measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as the following measurement category:

- (i) **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other (losses)/gains, net in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(c) details how the Group determines whether there has been a significant increase in credit risk.

For trade and retention receivables and contract assets, the Group applies the simplified approach permitted in HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.8 Inventories

Inventories comprise raw materials used for construction are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of first-in-first-out. Costs of purchased raw materials are determined after deducting discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.9 Trade and retention and other receivables

Trade and retention receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and retention and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If no, they are presented as non-current assets.

Trade and retention and other receivables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.7(b) for further information about the Group's accounting for trade and retention and other receivables and Note 2.7(c) for a description of the Group's impairment policies.

2.10 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Trade, bills and retention and other payables

Trade, bills and retention payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade, bills and retention and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade, bills and retention and other payables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.14 Borrowing costs

Borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.15 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.16 Employee benefits

(a) Pension obligations

The Group participates in defined contribution plans for their employees in Hong Kong. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) *Bonus plans*

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) *Share-based payments*

Share-based compensation benefits are provided to employees via the Pre-IPO Share Option Scheme. Information relating to the scheme is set out in Note 22(d).

Pre-IPO Share Option Scheme

The fair value of options granted under the Pre-IPO Share Option Scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

The grant by the Group of options over its equity instruments to employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date at fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Warranty provision

The Group estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The assumptions made in relation to the current period are consistent with those in the prior year. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

2.19 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the historical financial information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services rendered in the ordinary course of the Group's activities.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction or that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. Specific criteria where revenue is recognised are described below.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

(a) *Revenue from construction services*

The Group provides façade works construction services and building maintenance unit systems construction services. Revenue from the construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time. The Group uses costs incurred relative to total estimated costs to determine the extent of progress toward completion, which is referred as to "cost-to-cost method". Costs included in measuring progress in the "cost-to-cost method" if they represent progress under the contract include direct materials, direct labour, allocations of costs related directly to contract activities if those depict the transfer of control to the customer, etc. Costs that are not related to the contract or that do not contribute toward satisfying a performance obligation are not included in measuring progress.

Construction costs are recognised as cost of sales by reference to the extent of progress toward completion of the contract activity at the end of the reporting period. When it is probable that total construction costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. If the Group is not able to reasonably determine the outcome of the performance obligation or its progress toward satisfaction of the obligation, the Group recognises revenue over time as the work is performed, but only to the extent of costs incurred as long as the Group expects to at least recover its costs.

The Group accounts for a modification if the customers to a contract approve a change in the scope and/or price of a contract. A contract modification is approved when the modification creates or changes the enforceable rights and obligations of the customers to the contract. If the customers have approved a change in scope, but have not yet determined the corresponding change in price, the Group estimates the change to the contract price as variable consideration.

(b) *Maintenance services income*

The Group provides maintenance services for building maintenance unit systems. Revenue is recognised over the period that services are rendered and the Group's performance provide all of the benefits received and consumed simultaneously by the customers.

2.21 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceeds the measure of the remaining unsatisfied performance obligations.

2.22 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.23 Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Leases

The Group leases various properties and motor vehicles. Properties and motor vehicles leases are typically made for fixed periods of one to three years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Property leases are recognised as right-of-use assets (included in property, plant and equipment) and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are depreciated over the lease terms.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise small items of office furniture.

Extension options are included in the property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. All extension options held are exercisable only by the Group and not by the respective lessor. The Group considers all facts and circumstances that create an economic incentive to exercise an extension option in determining the lease term. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or Directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk, liquidity risk and price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the Directors. The Directors provide principles for overall risk management.

(a) Foreign exchange risk

The Group operates in Hong Kong with most of the transactions denominated and settled in Hong Kong Dollars ("HK\$"), Euros ("EUR"), United States Dollars ("US\$") and Chinese Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, acquired assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

Management closely monitors foreign currency exchange exposure and will take measures to minimise the currency translation risk. It mainly includes managing the exposures arisen from purchases made by group entities in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure.

Under the current pegging arrangement between HK\$ and US\$, the Directors of the Company consider foreign exchange risk as insignificant.

At 31 December 2016, 2017 and 2018 and 30 April 2019, if RMB had strengthened/weakened by 5%, with all other variables held constant, the pre-tax profit for the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2019 would have been approximately HK\$534,000, HK\$587,000, HK\$578,000 and HK\$589,000 higher/lower, respectively, mainly as a result of foreign exchange gains/losses as at 31 December 2016, 2017 and 2018 and 30 April 2019 on translation of RMB-denominated monetary net assets of the Group.

At 31 December 2016, 2017 and 2018 and 30 April 2019, if EUR had strengthened/weakened by 5%, with all other variables held constant, the pre-tax profit for the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2019 would have been approximately HK\$110,000, HK\$1,712,000, HK\$1,394,000 and HK\$364,000 higher/lower, respectively, mainly as a result of foreign exchange gains/losses as at 31 December 2016, 2017 and 2018 and 30 April 2019 on translation of EUR-denominated monetary net assets of the Group.

(b) Cash flow and fair value interest rate risk

The Group's cash flow and fair value interest rate risk primarily relates to bank balances and bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and bank borrowings. The analysis is prepared assuming the variable-rate bank balances and bank borrowings as at 31 December 2016, 2017 and 2018 and 30 April 2019 were outstanding for the years/period.

If interest rates had been 100 basis points higher/lower for variable-rate bank balances and bank borrowings and all other variables were held constant, the effects to the Group's pre-tax profit for the years/period will be as follows:

	(Decrease)/increase			Four months ended 30 April 2019 HK\$
	Year ended 31 December			
	2016 HK\$	2017 HK\$	2018 HK\$	
Impact on profit after tax				
Interest rate				
– higher	(146,000)	527,000	266,000	1,000
– lower	146,000	(527,000)	(266,000)	(1,000)

This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

(c) *Credit risk*

(i) *Risk management*

Credit risk is managed on a group basis. The Group's financial assets are trade and retention receivables, other financial assets at amortised cost (including deposits and other receivables and amounts due from directors), cash and cash equivalents, pledge, time and restricted deposits. The amounts of those assets stated in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is concentrated on a number of major and long established customers. As at 31 December 2016, 2017 and 2018 and 30 April 2019, trade and retention receivables from the customer with largest revenue during the corresponding years/period accounted for approximately 34%, 6%, 6% and 1% from the customers with top five largest revenue during the corresponding years/period accounted for approximately 85%, 74%, 58% and 56% of the Group's total trade and retention receivables, respectively. The Group has policies in place to ensure that sales are made to customers with appropriate credit histories and to limit the amount of credit exposure to any individual customer.

The Group's other financial assets at amortised cost are considered to be low risk. Management has closely monitored the credit qualities and the collectability.

(ii) *Impairment of financial assets*

The Group has the following financial assets that are subject to the expected credit loss model:

- trade and retention receivables
- contract assets
- other financial assets carried at amortised cost

While cash and cash equivalents, pledged, time and restricted deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(a) Trade and retention receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and retention receivables and contract assets. To measure the expected credit losses, trade and retention receivables and contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled contract work and have substantially the same risk characteristics as the trade and retention receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade and retention receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade and retention receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments. Impairment losses on trade and retention receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. Management has closely monitored the credit qualities and collectability of trade and retention receivables and considers that the expected credit loss is immaterial with the expected credit loss rate being close to zero.

(b) Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables and amounts due from directors. Impairment on other financial assets are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss is immaterial with the expected credit loss rate being close to zero.

(d) *Liquidity risks*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of available credit facilities. The Group manages its liquidity risk by monitoring its working capital requirements including closely monitoring the turnover days of receivables and keeping credit lines available.

Management monitors rolling forecasts of the Group's bank facilities and cash and cash equivalents on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long-term.

The tables below analyse the Group and the Company's financial liabilities into relevant maturity groupings based on the remaining period at each of the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The Group

	<u>On demand</u>	<u>Within 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2016				
Trade, bills and retention payables	–	58,372	11,070	69,442
Other payables	–	455	–	455
Dividend payable	–	1,000	–	1,000
Amounts due to directors	58	–	–	58
Amount due to a related party	6,243	–	–	6,243
Bank borrowings				
– principal portion (<i>Note</i>)	25,110	–	–	25,110
Lease liabilities	–	80	40	120
	<u>31,411</u>	<u>59,907</u>	<u>11,110</u>	<u>102,428</u>
As at 31 December 2017				
Trade, bills and retention payables	–	63,455	5,842	69,297
Other payables	–	761	–	761
Amount due to a related party	3,618	–	–	3,618
Bank borrowings				
– principal portion (<i>Note</i>)	15,842	–	–	15,842
Lease liabilities	–	40	–	40
	<u>19,460</u>	<u>64,256</u>	<u>5,842</u>	<u>89,558</u>
As at 31 December 2018				
Trade, bills and retention payables	–	33,188	4,768	37,956
Other payables	–	2,541	–	2,541
Amounts due to directors	80	–	–	80
Bank borrowings				
– principal portion (<i>Note</i>)	8,856	–	–	8,856
Lease liabilities	–	2,222	2,097	4,319
	<u>8,936</u>	<u>37,951</u>	<u>6,865</u>	<u>53,752</u>
As at 30 April 2019				
Trade, bills and retention payables	–	36,976	6,030	43,006
Other payables	–	4,396	–	4,396
Amounts due to directors	21	–	–	21
Bank borrowings				
– principal portion (<i>Note</i>)	12,347	–	–	12,347
Lease liabilities	–	2,222	1,357	3,579
	<u>12,368</u>	<u>43,594</u>	<u>7,387</u>	<u>63,349</u>

The Company

	<u>On demand</u> <i>HK\$'000</i>	<u>Within 1 year</u> <i>HK\$'000</i>	<u>Over 1 year</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
As at 31 December 2018				
Other payables	–	1,460	–	1,460
Amount due to subsidiaries	8,565	–	–	8,565
	<u>8,565</u>	<u>1,460</u>	<u>–</u>	<u>10,025</u>
As at 30 April 2019				
Other payables	–	3,454	–	3,454
Amount due to subsidiaries	14,713	–	–	14,713
	<u>14,713</u>	<u>3,454</u>	<u>–</u>	<u>18,167</u>

Note: The table below summarises the maturity analysis of the Group's financial liabilities with a repayment on demand clause based on the scheduled repayments set out in the respective agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the Directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The Directors believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the agreements.

	<u>Within 1 year</u> <i>HK\$'000</i>	<u>Between 2 and 5 years</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
As at 31 December 2016			
Principal payables	25,110	–	25,110
Interest payables	328	–	328
	<u>25,438</u>	<u>–</u>	<u>25,438</u>
As at 31 December 2017			
Principal payables	15,842	–	15,842
Interest payables	107	–	107
	<u>15,949</u>	<u>–</u>	<u>15,949</u>
As at 31 December 2018			
Principal payables	8,856	–	8,856
Interest payables	79	–	79
	<u>8,935</u>	<u>–</u>	<u>8,935</u>
As at 30 April 2019			
Principal payables	12,347	–	12,347
Interest payables	159	–	159
	<u>12,506</u>	<u>–</u>	<u>12,506</u>

(e) Price risk

The Group is exposed to price risk arises from investments held by the Group and classified on the consolidated statement of financial position as financial assets at fair value through other comprehensive income (Note 16). The Group maintains these investments for long-term purpose.

If the price of the financial assets at fair value through other comprehensive income had been 10% higher/lower, the Group's revaluation reserve for the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2019 would increase/decrease by approximately HK\$2,432,000, HK\$3,308,000, HK\$2,830,000 and HK\$3,032,000, respectively.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of the net debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including bank borrowings and lease liabilities) less cash and cash equivalents. Total equity is calculated as equity as shown in the consolidated statements of financial position.

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Bank borrowings (Note 25)	25,110	15,842	8,856	12,347
Lease liabilities (Note 23)	110	37	4,062	3,399
Less: cash and cash equivalents (Note 21)	(158,298)	(181,457)	(70,124)	(45,120)
Net cash	<u>(133,078)</u>	<u>(165,578)</u>	<u>(57,206)</u>	<u>(29,374)</u>

Management considers the Group's capital risk is minimal as the Group was not in a net debt position as at 31 December 2016, 2017 and 2018 and 30 April 2019.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair values as at 31 December 2016, 2017 and 2018 and 30 April 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	<u>Level 1</u>
	<i>HK\$'000</i>
<u>As at 31 December 2016</u>	
Assets	
Financial assets at fair value through other comprehensive income	24,322
	<u><u>24,322</u></u>
<u>As at 31 December 2017</u>	
Assets	
Financial assets at fair value through other comprehensive income	33,081
	<u><u>33,081</u></u>
<u>As at 31 December 2018</u>	
Assets	
Financial assets at fair value through other comprehensive income	28,300
	<u><u>28,300</u></u>
<u>As at 30 April 2019</u>	
Assets	
Financial assets at fair value through other comprehensive income	30,320
	<u><u>30,320</u></u>

As at 31 December 2016, 2017 and 2018 and 30 April 2019, the Group had no derivative financial instruments. There were no transfers between levels 1, 2 and 3 during the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2019.

(a) Financial instruments in level 1

The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. As at 31 December 2016, 2017 and 2018 and 30 April 2019, instruments included in level 1 represented listed equity instruments that were classified as financial assets at fair value through other comprehensive income.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Group did not have level 2 financial instruments as at 31 December 2016, 2017 and 2018 and 30 April 2019.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group did not have level 3 financial instruments as at 31 December 2016, 2017 and 2018 and 30 April 2019.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Percentage of completion of construction works

The Group recognises its revenue from construction contract according to the percentage of the contract cost incurred up to date of the individual contract of construction works as a percentage of total estimated cost. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

(b) Estimation of foreseeable losses in respect of construction works

The Group's management estimates the amount of foreseeable losses of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise subcontracting charges and costs of materials are prepared by management on the basis of quotations provided by the major contractors, suppliers and vendors involved, and the experience of the management. Management conducts periodic review on the management budgets by reviewing the actual amounts incurred. Items that will subject to significant variances and impact the amount of provision of foreseeable losses of construction contracts include the changes in estimations or the actual costs incurred for materials, staff costs, the amount of variation orders and claims as compared to management's budget and such estimated foreseeable losses will be recognised immediately in the income statement. Such significant estimate may have impact on the profit recognised in each period.

5 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Executive Directors of the Company.

Operating segments are reported in the manner consistent with the internal reporting provided to the CODM. The Group is subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole.

The Group is principally engaged in the following:

- Façade works Business – provision of design and build solutions for façade works; and
- BMU systems Business – provision of design and build solutions for BMU systems

All of the Group's activities are carried out in Hong Kong and all of the Group's assets and liabilities are located in Hong Kong. Accordingly, no analysis by geographical basis for the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019 is presented.

Segment assets mainly exclude leasehold land and buildings, right-of-use assets for properties, financial assets at fair value through other comprehensive income, deferred tax assets, prepaid listing expenses, income tax recoverable, amounts due from directors, pledged deposits, time deposits, restricted deposits, cash and cash equivalents and other assets that are managed on a central basis.

Segment liabilities mainly exclude amounts due to directors, amount due to a related party, accrued listing expenses, dividend payable, bank borrowings, lease liabilities, income tax payable, deferred tax liabilities, and other liabilities that are managed on a central basis.

Revenue from customers contributing over 10% of the total revenue of the Group for the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019 is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Customer A					
– Façade works Business	211,352	205,378	188,642	62,461	59,570
– BMU systems Business	35,038	41,085	53,558	7,401	17,365
	<u>246,390</u>	<u>246,463</u>	<u>242,200</u>	<u>69,862</u>	<u>76,935</u>
Customer B					
– Façade works Business	93,497	63,469	54,041	12,116	10,592
– BMU systems Business	3,044	14,538	42,247	14,797	16,619
	<u>96,541</u>	<u>78,007</u>	<u>96,288</u>	<u>26,913</u>	<u>27,211</u>
Customer C					
– Façade works Business	N/A	N/A	N/A	N/A	428
– BMU systems Business	N/A	N/A	N/A	N/A	24,317
	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>24,745</u>

The Executive Directors assess the performance of the operating segments based on their underlying profit, which is measured by profit before income tax, excluding dividend income from financial assets at fair value through other comprehensive income, finance income, gain on disposal of property, plant and equipment, finance costs, depreciation on leasehold land and buildings and right-of-use assets of properties and listing expenses, which are managed on a central basis.

6 OTHER INCOME

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Dividend income from financial assets at fair value through other comprehensive income	1,510	1,586	1,675	678	720
Sundry income	286	17	29	–	12
	<u>1,796</u>	<u>1,603</u>	<u>1,704</u>	<u>678</u>	<u>732</u>

7 OTHER (LOSSES)/GAINS, NET

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Foreign exchange differences, net	(1,378)	75	(2,567)	242	224
Gain on disposal of property, plant and equipment	–	–	47,079	–	–
Loss on written-off of property, plant and equipment	(7)	–	(97)	–	–
	<u>(1,385)</u>	<u>75</u>	<u>44,415</u>	<u>242</u>	<u>224</u>

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Wages, salaries, bonuses and allowances	29,295	31,990	41,327	11,388	13,180
Pension costs – defined contribution plans	1,036	1,188	1,358	414	534
Share-based payment expenses (Note 22(d))	–	–	–	–	481
Other employee benefits (Note)	787	888	(282)	79	327
	31,118	34,066	42,403	11,881	14,522
Less: amounts included in construction costs	(23,511)	(25,734)	(33,741)	(9,507)	(10,916)
Amounts included in administrative expenses	7,607	8,332	8,662	2,374	3,606

Note: During the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019, the other employee benefits include provision or reversal of long service payments (Note 27(c)).

10 FINANCE (COSTS)/INCOME, NET

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Finance income					
Interest income from bank deposits	283	380	674	196	233
Finance costs					
Interest expense on lease liabilities	(7)	(7)	(118)	(2)	(78)
Interest expense on bank borrowings	(739)	(1,203)	(716)	(164)	(80)
	(746)	(1,210)	(834)	(166)	(158)
Finance (costs)/income, net	(463)	(830)	(160)	30	75

11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019. No overseas profits tax has been calculated for the Group's entities that are incorporated in the BVI or the Cayman Islands as they are tax exempted in their jurisdictions.

The amount of taxation charged to the consolidated income statements represented:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Current income tax	11,320	11,595	12,148	4,473	5,071
Deferred income tax expenses/(credit) (Note 26)	9	(33)	(2)	(14)	(6)
	<u>11,329</u>	<u>11,562</u>	<u>12,146</u>	<u>4,459</u>	<u>5,065</u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Profit before income tax	69,455	71,966	111,037	28,859	24,759
Tax calculated 16.5%	11,460	11,874	18,321	4,762	4,085
Income not subject to tax	(338)	(566)	(8,155)	(194)	(175)
Expenses not deductible for taxation purposes	247	314	2,145	56	1,320
Tax concession (Note)	(40)	(60)	(165)	(165)	(165)
	<u>11,329</u>	<u>11,562</u>	<u>12,146</u>	<u>4,459</u>	<u>5,065</u>

Note: For each of the years ended 31 December 2016 and 2017, tax concession relates to 75% and 75% tax reduction to tax payable capped at HK\$20,000 and HK\$30,000 for each Hong Kong incorporated entity respectively.

For the year ended 31 December 2018 and four months ended 30 April 2018 and 2019, tax recession relates to tax reduction to tax payable under Two-Tiered Profits Tax Rates Regime capped at HK\$165,000 for one of the Hong Kong incorporated entities of the Group.

For each of the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019, the effective tax rate was 16.3%, 16.1%, 10.9%, 15.5% and 20.5%, respectively.

12 EARNINGS PER SHARE

Basic earnings per shares is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019.

The earnings per share presented below has not been taken into account the proposed capitalisation issue pursuant to the resolutions by the shareholders passed on 18 October 2019 (Note 33(i)) as the proposed capitalisation issue has not become effective as at the date of this report.

In determining the weighted average number of shares in issue during the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, 6 shares were deemed to have been issued on 1 January 2016 as if the Company has been incorporated by then.

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
				<i>(Unaudited)</i>	
Profit attributed to owners of the Company (HK\$'000)	49,975	52,667	80,135	22,772	19,579
Weighted average number of ordinary shares in issue	6	6	6	6	6
Basic and diluted earnings per share (HK\$'000)	8,329	8,778	13,356	3,795	3,263

Diluted earnings per shares for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 were the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years/period.

During the period ended 30 April 2019, the Company has one category of dilutive potential ordinary share: share options. In determining the diluted earnings per share for the four months ended 30 April 2019, no share options were deemed to have been exercised as the share options are considered as contingently issuable shares as they are only exercisable upon Listing. Diluted earnings per share for the period ended 30 April 2019 is therefore the same as the basic earnings per share.

13 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remunerations of each Director of the Company paid/payable by the Group for the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019 are set out below:

	Fees	Salaries, other allowances and benefits in kind	Discretionary bonuses	Defined contribution pension costs	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2016					
Executive Directors					
Mr. Kwan Kam Tim (<i>Note (i)</i>)	–	920	–	18	938
Mr. Mak Kim Hung (<i>Note (ii)</i>)	–	1,330	–	18	1,348
Ms. Leung Ng Mui May (<i>Note (iii)</i>)	–	726	–	18	744
	–	2,976	–	54	3,030
Year ended 31 December 2017					
Executive Directors					
Mr. Kwan Kam Tim (<i>Note (i)</i>)	–	964	–	18	982
Mr. Mak Kim Hung (<i>Note (ii)</i>)	–	1,480	–	18	1,498
Ms. Leung Ng Mui May (<i>Note (iii)</i>)	–	784	–	18	802
	–	3,228	–	54	3,282
Year ended 31 December 2018					
Executive Directors					
Mr. Kwan Kam Tim (<i>Note (i)</i>)	–	858	80	18	956
Mr. Mak Kim Hung (<i>Note (ii)</i>)	–	1,574	150	18	1,742
Ms. Leung Ng Mui May (<i>Note (iii)</i>)	–	859	270	18	1,147
	–	3,291	500	54	3,845
Four months ended 30 April 2019					
Executive Directors					
Mr. Kwan Kam Tim (<i>Note (i)</i>)	–	286	–	6	292
Mr. Mak Kim Hung (<i>Note (ii)</i>)	–	526	–	6	532
Ms. Leung Ng Mui May (<i>Note (iii)</i>)	–	376	–	6	382
	–	1,188	–	18	1,206
(Unaudited)					
Four months ended 30 April 2018					
Executive Directors					
Mr. Kwan Kam Tim (<i>Note (i)</i>)	–	286	–	6	292
Mr. Mak Kim Hung (<i>Note (ii)</i>)	–	522	–	6	528
Ms. Leung Ng Mui May (<i>Note (iii)</i>)	–	268	–	6	274
	–	1,076	–	18	1,094

Notes:

- (i) Mr. Kwan Kam Tim is the chairman of the Company's Board and was appointed as Director on 19 February 2019 and was re-designated as executive Director on 14 March 2019.
- (ii) Mr. Mak Kim Hung is the Company's chief executive officer and was appointed as Director on 17 August 2018 and was re-designated as executive Director on 14 March 2019.
- (iii) Ms. Leung Ng Mui May was appointed as the Company's Director on 5 March 2019 and was re-designated as our executive Director on 14 March 2019.

As at 18 October 2019, Mr. Keung Kwok Hung, Mr. Tse Wai Kit and Prof. Lau Chi Pang, J.P. were appointed as the Company's independent non-executive director. During the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2019, the independent non-executive directors have not yet been appointed and did not receive any directors' remuneration in the capacity of independent non-executive directors.

There was no arrangement under which a Director waived or agreed to waive any emoluments during the Track Record Period.

(b) Directors' retirement benefits and termination benefits

Save as disclosed in Note 13(a), Directors did not receive any other retirement benefits or termination benefits during the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019.

(c) Consideration provided to third parties for making available Directors' services

During the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019, no consideration was provided to or receivable by third parties for making available Directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2016, 2017 and 2018 and 30 April 2019, there were no loans, quasi-loans and other dealing arrangements in favour of Directors, their controlled bodies corporate and connected entities.

(e) Director's material interests in transactions, arrangements or contracts

Save as disclosed in Note 31, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2019 or at any time during the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019.

(f) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3 Directors for the years ended 31 December 2016, 2017 and 2018 and 2 Directors for the four months ended 30 April 2018 and 1 Director for the four months ended 30 April 2019 respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable the remaining 2 individuals during the years ended 31 December 2016, 2017 and 2018 and 3 individuals for the four months ended 30 April 2018 and 4 individuals for the four months ended 30 April 2019 respectively, are as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Wages, salaries, bonuses, share options and allowances	1,800	1,963	2,736	985	1,793
Pension costs – defined contribution plans	36	36	36	15	24
	<u>1,836</u>	<u>1,999</u>	<u>2,772</u>	<u>1,000</u>	<u>1,817</u>

The emoluments fell within the following bands:

Emolument bands	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
HK\$Nil to HK\$1,000,000	2	1	–	3	4
HK\$1,000,001 to HK\$1,500,000	–	1	2	–	–
	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>4</u>

14 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets	Leasehold land and buildings	Leasehold improvements	Furniture and fixtures	Total
	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>
As at 1 January 2016					
Cost	474	8,420	1,368	4,630	14,892
Accumulated depreciation	(314)	(1,780)	(1,049)	(3,910)	(7,053)
Net book amount	<u>160</u>	<u>6,640</u>	<u>319</u>	<u>720</u>	<u>7,839</u>
Year ended 31 December 2016					
Opening net book amount	160	6,640	319	720	7,839
Additions	–	–	–	410	410
Depreciation	(80)	(225)	(114)	(325)	(744)
Disposals	–	–	–	(7)	(7)
Closing net book amount	<u>80</u>	<u>6,415</u>	<u>205</u>	<u>798</u>	<u>7,498</u>
As at 31 December 2016					
Cost	474	8,420	1,368	5,033	15,295
Accumulated depreciation	(394)	(2,005)	(1,163)	(4,235)	(7,797)
Net book amount	<u>80</u>	<u>6,415</u>	<u>205</u>	<u>798</u>	<u>7,498</u>
Year ended 31 December 2017					
Opening net book amount	80	6,415	205	798	7,498
Additions	–	–	–	254	254
Depreciation	(80)	(225)	(99)	(299)	(703)
Closing net book amount	<u>–</u>	<u>6,190</u>	<u>106</u>	<u>753</u>	<u>7,049</u>
As at 31 December 2017					
Cost	474	8,420	1,368	5,287	15,549
Accumulated depreciation	(474)	(2,230)	(1,262)	(4,534)	(8,500)
Net book amount	<u>–</u>	<u>6,190</u>	<u>106</u>	<u>753</u>	<u>7,049</u>
Year ended 31 December 2018					
Opening net book amount	–	6,190	106	753	7,049
Additions	5,103	–	1,487	222	6,812
Depreciation	(862)	(169)	(230)	(275)	(1,536)
Disposals and written off	–	(6,021)	(60)	(37)	(6,118)
Closing net book amount	<u>4,241</u>	<u>–</u>	<u>1,303</u>	<u>663</u>	<u>6,207</u>
As at 31 December 2018					
Cost	5,577	–	1,487	5,240	12,304
Accumulated depreciation	(1,336)	–	(184)	(4,577)	(6,097)
Net book amount	<u>4,241</u>	<u>–</u>	<u>1,303</u>	<u>663</u>	<u>6,207</u>

	Right-of-use assets	Leasehold land and buildings	Leasehold improvements	Furniture and fixtures	Total
	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>
Four months ended 30 April 2019					
Opening net book amount	4,241	–	1,303	663	6,207
Additions	–	–	154	29	183
Depreciation	(726)	–	(208)	(89)	(1,023)
Closing net book amount	<u>3,515</u>	<u>–</u>	<u>1,249</u>	<u>603</u>	<u>5,367</u>
As at 30 April 2019					
Cost	5,577	–	1,641	5,269	12,487
Accumulated depreciation	(2,062)	–	(392)	(4,666)	(7,120)
Net book amount	<u>3,515</u>	<u>–</u>	<u>1,249</u>	<u>603</u>	<u>5,367</u>
(Unaudited)					
Four months ended 30 April 2018					
Opening net book amount	–	6,190	106	753	7,049
Additions	–	–	–	66	66
Depreciation	–	(75)	(22)	(91)	(188)
Closing net book amount	<u>–</u>	<u>6,115</u>	<u>84</u>	<u>728</u>	<u>6,927</u>
As at 30 April 2018					
Cost	474	8,420	1,368	5,353	15,615
Accumulated depreciation	(474)	(2,305)	(1,284)	(4,625)	(8,688)
Net book amount	<u>–</u>	<u>6,115</u>	<u>84</u>	<u>728</u>	<u>6,927</u>

Depreciation expenses of approximately HK\$744,000, HK\$703,000, HK\$1,536,000, HK\$188,000 and HK\$1,023,000 have been charged to administrative expenses for the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019, respectively.

As at 31 December 2016 and 2017, the right-of-use assets of the Group represented motor vehicles with an aggregate net book values of approximately HK\$80,000 and HK\$Nil respectively. As at 31 December 2018, the right-of-use assets of the Group mainly represented properties leased with an aggregate cost, including capitalised reinstatement cost (Note 27(b)) of approximately HK\$5,103,000 and net book value of approximately HK\$4,241,000. As at 30 April 2019, the right of use of assets of the Group mainly represented properties leased with cost of approximately HK\$5,103,000 and net book value of approximately HK\$3,515,000.

As at 31 December 2018 and 30 April 2019, two properties leased was secured by bank guarantee of approximately HK\$3,925,000.

As at 31 December 2016, the Group's borrowing of approximately HK\$62,000 was secured by the leasehold land and buildings with an aggregate net book value of approximately HK\$6,415,000 (Note 25). Such borrowing was fully repaid during the year ended 31 December 2017.

As at 31 December 2016 and 2017, certain of the Group's banking facilities were secured by the leasehold land and buildings with an aggregate net book values of approximately HK\$6,415,000 and HK\$6,190,000 respectively (Note 25).

During the year ended 31 December 2018, the leasehold land and buildings with net book value of approximately HK\$6,021,000 were sold to the related parties for HK\$53,100,000 (Note 31(a)). Gain on disposals of approximately HK\$47,079,000 was recognised in other (losses)/gains, net (Note 7).

15 FINANCIAL INSTRUMENTS BY CATEGORIES

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Financial assets at amortised cost				
Trade and retention receivables	96,478	49,263	50,413	30,905
Deposits and other receivables (excluding prepayments)	1,134	689	850	811
Amounts due from directors	50	1,078	612	1,000
Pledged deposits	21,217	23,921	44,569	40,964
Time deposits	4,044	–	2,498	2,555
Restricted deposits	–	–	–	10,000
Cash and cash equivalents	158,298	181,457	70,124	45,120
	<u>281,221</u>	<u>256,408</u>	<u>169,066</u>	<u>131,355</u>
	-----	-----	-----	-----
Financial assets at fair value through other comprehensive income				
Financial assets at fair value through other comprehensive income	24,322	33,081	28,300	30,320
	<u>24,322</u>	<u>33,081</u>	<u>28,300</u>	<u>30,320</u>
	-----	-----	-----	-----
	<u>305,543</u>	<u>289,489</u>	<u>197,366</u>	<u>161,675</u>
	=====	=====	=====	=====
Financial liabilities at amortised cost				
Trade, bills and retention payables	69,442	69,297	37,956	43,006
Other payables	455	761	2,541	4,396
Dividend payable	1,000	–	–	–
Amounts due to directors	58	–	80	21
Amount due to a related party	6,243	3,618	–	–
Bank borrowings	25,110	15,842	8,856	12,347
Lease liabilities	110	37	4,062	3,399
	<u>102,418</u>	<u>89,555</u>	<u>53,495</u>	<u>63,169</u>
	=====	=====	=====	=====

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December			As at 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity investments, listed in Hong Kong					
Beginning of the year/period	–	24,322	33,081	33,081	28,300
Additions					
– cash payments	19,934	–	–	–	–
– stock dividend in lieu of cash	923	1,586	1,675	678	720
Changes in fair value recognised in other comprehensive income	3,465	7,173	(6,456)	(513)	1,300
End of the year/period	24,322	33,081	28,300	33,246	30,320

Information about the methods and assumptions used in determining fair value is provided in Note 3.3. The carrying amounts of financial assets at fair value through other comprehensive income as at 31 December 2016, 2017 and 2018 and 30 April 2018 and 2019 are denominated in HK\$.

17 INVENTORIES

	As at 31 December			As at 30 April 2019
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	6,255	11,893	13,484	10,040

Inventories of approximately HK\$209,032,000, HK\$153,476,000, HK\$213,014,000, HK\$69,314,000 and HK\$80,152,000 were recognised as construction costs in cost of sales during the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019, respectively.

18 TRADE AND RETENTION RECEIVABLES

	As at 31 December			As at 30 April 2019
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables (Note (a))	75,876	24,766	24,260	9,144
Retention receivables (Note (b))	20,602	24,497	26,153	21,761
Trade and retention receivables	96,478	49,263	50,413	30,905

(a) Trade receivables

The Group generally grants credit period other than the retention receivables that ranges from 30 to 60 days to its customers. The Group may at its discretion grant a longer credit period to specific customers after considering various factors, including (i) business relationship with the customer; (ii) credit quality of the customer and (iii) the Group's liquidity and level of unutilised banking facilities.

As at 31 December 2016, 2017 and 2018 and 30 April 2019, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
0 – 30 days	55,520	16,458	20,763	6,484
31 – 60 days	9,592	5,732	1,354	1,615
61 – 90 days	7,734	201	773	512
91 – 180 days	1,132	1,409	335	383
Over 180 days	1,898	966	1,035	150
	<u>75,876</u>	<u>24,766</u>	<u>24,260</u>	<u>9,144</u>

(b) Retention receivables

Retention receivables are settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. In the consolidated statements of financial position, retention receivables were classified as current assets based on operating cycle. The ageing analysis of these retention receivables based on the terms of related contracts was as follows:

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Will be recovered within twelve months	5,584	15,199	18,940	13,028
Will be recovered more than twelve months after the end of the year/period	15,018	9,298	7,213	8,733
	<u>20,602</u>	<u>24,497</u>	<u>26,153</u>	<u>21,761</u>

The Group applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade and retention receivables. To measure the expected credit losses, trade and retention receivables have been grouped based on shared credit risk characteristics and the days past due. Management considers that the expected credit loss is immaterial as at 31 December 2016, 2017 and 2018 and 30 April 2019.

The carrying amounts of trade and retention receivables approximated their fair values as at 31 December 2016, 2017 and 2018 and 30 April 2019 due to short maturities and were denominated in HK\$.

The maximum exposure to credit risk was the carrying amounts of trade and retention receivables and the Group did not hold any collateral as security during the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2019.

19 CONTRACT ASSETS/LIABILITIES

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Contract assets relating to façade works construction contracts	24,970	51,698	58,086	48,819
Contract assets relating to BMU systems construction contracts	31,228	46,136	69,392	99,828
Total contract assets	<u>56,198</u>	<u>97,834</u>	<u>127,478</u>	<u>148,647</u>
Contract liabilities relating to façade works construction contracts	70,474	36,064	30,590	18,164
Contract liabilities relating to BMU systems construction contracts	10,636	15,984	8,978	5,214
Total contract liabilities	<u>81,110</u>	<u>52,048</u>	<u>39,568</u>	<u>23,378</u>

(a) Significant changes in contract assets and liabilities

Contract assets have increased as the Group has provided more construction services ahead of the right to payment upon receiving certification from quantity surveyors for fixed-price contracts. The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. No impairment was made as at 31 December 2016, 2017 and 2018 and 30 April 2019.

Contract liabilities for the construction contracts were decreased due to the negotiation of smaller prepayments on overall contract activities.

(b) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised during the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019 relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in previous periods.

	Year ended 31 December			Four months ended	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year/period	<u>53,631</u>	<u>81,110</u>	<u>52,048</u>	<u>26,298</u>	<u>20,097</u>

(c) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed-price long-term construction contracts.

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
Aggregate amount of the transaction price allocated to long-term construction contracts that are partially or fully unsatisfied as at year/period ended	531,385	463,093	495,504	555,930

Management expects that the transaction prices regarding the unsatisfied contracts as of 30 April 2019 will be recognised as revenue during the next corresponding reporting periods by referencing to the progress toward completion of the contract activity. The amount disclosed above does not include consideration which is constrained.

20 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
Non-current				
Deposits and other receivables	525	237	579	617
Prepayments	–	–	27	376
	525	237	606	993
Current				
Deposits and other receivables	609	452	271	194
Prepaid listing expenses	–	–	2,394	4,083
Prepayments for construction materials	164	2,827	16,168	3,136
Other prepayments	785	1,569	2,457	1,878
	1,558	4,848	21,290	9,291
	2,083	5,085	21,896	10,284

The carrying amounts of deposits, prepayments and other receivables approximated their fair values as at 31 December 2016, 2017 and 2018 and 30 April 2019. The carrying amounts of the deposits, prepayments and other receivables as at 31 December 2016, 2017 and 2018 and 30 April 2019 were denominated in the following currencies:

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
HK\$	2,074	2,432	8,274	7,554
Great British Pound (“GBP”)	–	–	1,127	–
EUR	9	2,653	12,495	2,730
	2,083	5,085	21,896	10,284

21 PLEDGED DEPOSITS, TIME DEPOSITS, RESTRICTED DEPOSITS AND CASH AND CASH EQUIVALENTS

	As at 31 December			As at
	2016	2017	2018	30 April 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pledged deposits (<i>Note a</i>)	21,217	23,921	44,569	40,964
Time deposits	20,245	20,398	19,030	2,555
Restricted deposits (<i>Note b</i>)	–	–	–	10,000
Cash at bank	142,004	160,894	53,486	45,050
Cash on hand	93	165	106	70
	<u>183,559</u>	<u>205,378</u>	<u>117,191</u>	<u>98,639</u>
Pledged deposits, time deposits, restricted deposits and cash and cash equivalents				
Less:				
Pledged deposits (<i>Note a</i>)	(21,217)	(23,921)	(44,569)	(40,964)
Time deposits with original maturities of more than 3 months	(4,044)	–	(2,498)	(2,555)
Restricted deposits (<i>Note b</i>)	–	–	–	(10,000)
Cash and cash equivalents	<u>158,298</u>	<u>181,457</u>	<u>70,124</u>	<u>45,120</u>

Notes:

- (a) As at 31 December 2016, 2017 and 2018 and 30 April 2019, pledged deposits with carrying values of approximately HK\$21,217,000, HK\$23,921,000, HK\$44,569,000 and HK\$40,964,000 were pledged to the facilities granted by banks to the Group respectively, details of which are set out in Note 25. These pledged deposits had original maturity dates of six months or less.
- (b) As at 30 April 2019, restricted deposits with carrying values of HK\$10,000,000 were held by the bank as an undertaking of a waiver from the compliance with a provision clause under the banking facilities. Such restricted deposits will be released by 31 December 2019.

The weighted effective interest rates as at each of the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2019 were as follows:

	As at 31 December			As at
	2016	2017	2018	30 April 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pledged deposits				
– HK\$	0.63%	0.61%	1.53%	1.47%
– RMB	3.17%	1.12%	0.61%	0.87%
– US\$	0.40%	0.92%	2.05%	2.05%
Bank deposits				
– HK\$	0.63%	0.92%	1.72%	N/A
– RMB	N/A	N/A	3.00%	3.00%

Pledged deposits, time deposits, restricted deposits and cash and cash equivalents were denominated in the following currencies:

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
HK\$	164,909	154,033	78,016	77,473
RMB	10,686	11,737	11,556	11,776
US\$	3,061	3,079	3,128	3,166
EUR	4,203	36,358	24,453	6,185
GBP	700	171	38	39
	<u>183,559</u>	<u>205,378</u>	<u>117,191</u>	<u>98,639</u>

22 SHARE CAPITAL, COMBINED SHARE CAPITAL AND RESERVES

(a) Share capital

	Number of ordinary shares	Share Capital HK\$'000
Authorised:		
As at 17 August 2018 (date of incorporation of the company) and as at 31 December 2018, 1 January 2019 and 30 April 2019	<u>38,000,000</u>	<u>380</u>
Issued and fully paid:		
As at 17 August 2018	–	–
Issue of share at date of incorporation of the Company (Note (i))	<u>1</u>	<u>–</u>
As at 31 December 2018 and 1 January 2019	1	–
Issue of share pursuant to the Reorganisation (Note 1.2)	<u>5</u>	<u>–</u>
As at 30 April 2019	<u>6</u>	<u>–</u>

Note (i): On 17 August 2018, the Company was incorporated in the Cayman Islands with initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value of HK\$0.01 each. Upon its incorporation, 1 share at par value was allotted and issued, credited as fully paid, to the initial subscriber which then transferred the share to SV (BVI) Limited, a company wholly owned by Mr. Mak.

(b) Combined share capital

The Reorganisation has not been completed as at 31 December 2018. The combined share capital and reserves during the years ended 31 December 2016, 2017 and 2018 represent the combined share capital and reserves of the companies comprising the Group after elimination of inter-company transactions and balances. On 28 February 2019, the balance of combined share capital of HK\$2,350,000 was reclassified to other reserve upon the completion of the Reorganisation (Note 1.2).

(c) Reserves

The reserves movement of the Group is as follows:

	Revaluation reserve	Share-based payment reserve	Other reserve	Retained earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balances as at 1 January 2016	–	–	–	92,826	92,826
Comprehensive income					
Profit for the year	–	–	–	49,975	49,975
Other comprehensive income					
Fair value gains on financial assets at fair value through other comprehensive income	2,598	–	–	–	2,598
Total comprehensive income	2,598	–	–	49,975	52,573
Transaction with owners in their capacity as owners					
Dividends (<i>Note 32</i>)	–	–	–	(750)	(750)
Total transaction with owners in their capacity as owners	–	–	–	(750)	(750)
Balances as at 31 December 2016 and 1 January 2017	2,598	–	–	142,051	144,649
Comprehensive income					
Profit for the year	–	–	–	52,667	52,667
Other comprehensive income					
Fair value gains on financial assets at fair value through other comprehensive income	5,379	–	–	–	5,379
Total comprehensive income	5,379	–	–	52,667	58,046
Balances as at 31 December 2017 and 1 January 2018	7,977	–	–	194,718	202,695
Comprehensive income					
Profit for the year	–	–	–	80,135	80,135
Other comprehensive loss					
Fair value loss on financial assets at fair value through other comprehensive income	(4,842)	–	–	–	(4,842)
Total comprehensive (loss)/income	(4,842)	–	–	80,135	75,293
Transaction with owners in their capacity as owners					
Dividends (<i>Note 32</i>)	–	–	–	(48,750)	(48,750)
Total transaction with owners in their capacity as owners	–	–	–	(48,750)	(48,750)

	Revaluation reserve	Share-based payment reserve	Other reserve	Retained earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balances as at 31 December 2018 and 1 January 2019	3,135	–	–	226,103	229,238
Comprehensive income					
Profit for the period	–	–	–	19,579	19,579
Other comprehensive income					
Fair value gains on financial assets at fair value through other comprehensive income	1,093	–	–	–	1,093
Total comprehensive income	1,093	–	–	19,579	20,672
Transaction with owners in their capacity as owners					
Transaction with non-controlling shareholder (<i>Note 30</i>)	–	–	35,174	–	35,174
Reclassification of combined share capital to other reserve (<i>Note 1.2</i>)	–	–	2,350	–	2,350
Share-based payment expenses (<i>Note 22(d)</i>)	–	481	–	–	481
Dividends (<i>Note 32</i>)	–	–	–	(45,000)	(45,000)
Total transaction with owners in their capacity as owners	–	481	37,524	(45,000)	(6,995)
Balances as at 30 April 2019	4,228	481	37,524	200,682	242,915
(Unaudited)					
Balances as at 1 January 2018	7,977	–	–	194,718	202,695
Comprehensive income					
Profit for the period	–	–	–	22,772	22,772
Other comprehensive loss					
Fair value loss on financial assets at fair value through other comprehensive income	(384)	–	–	–	(384)
Total comprehensive (loss)/income	(384)	–	–	22,772	22,388
Balances as at 30 April 2018	7,593	–	–	217,490	225,083

The reserves movement of the Company is as follows:

	Share-based payment reserve	Other reserve (Note)	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balances as at 17 August 2018	–	–	–	–
Comprehensive loss				
Loss for the period	–	–	(7,631)	(7,631)
Total comprehensive loss	–	–	(7,631)	(7,631)
Transaction with owners in their capacity as owners				
Issue of share as at incorporation	–	–	–	–
Total transaction with owners in their capacity as owners	–	–	–	–
Balances as at 31 December 2018 and 1 January 2019	–	–	(7,631)	(7,631)
Comprehensive loss				
Loss for the period	–	–	(6,452)	(6,452)
Total comprehensive loss	–	–	(6,452)	(6,452)
Transaction with owners in their capacity as owners				
Issue of share pursuant to the Reorganisation (Note 1.2)	–	–	–	–
Surplus arising on issue of shares in connection with the Reorganisation (Note 1.2)	–	241,566	–	241,566
Share-based payment expenses (Note 22(d))	480	–	–	480
Total transaction with owners in their capacity as owners	480	241,566	–	242,046
Balances as at 30 April 2019	<u>480</u>	<u>241,566</u>	<u>(14,083)</u>	<u>227,963</u>

Note: Other reserves of the Company represents the difference between the net asset value of the acquired subsidiaries acquired by the Company over the nominal value of the share capital of the Company issued in exchange thereof.

(d) Share-based payments*Pre-IPO Share Option Scheme*

The establishment of the Pre-IPO Share Option Scheme was approved by the shareholders on 21 March 2019, which is designed to recognise the contribution of the senior management for the growth of the Group, by granting options to them as incentive or reward, to attract, retain and motivate them to make contributions to the Group and strive for future development and expansion of the Group.

Under the Pre-IPO Share Option Scheme, the options granted are subject to the following vesting schedule:

- 30% of the options granted shall vest on the third anniversary of the date on which the grant was accepted by the grantee (“Acceptance Date”);
- 30% of the options granted shall vest on the sixth anniversary of the Acceptance Date; and
- 40% of the options granted shall vest on the tenth anniversary of the Acceptance Date, or upon the retirement of the grantee at the age of 65, whichever is earlier.

The options granted are also subject to a non-vesting condition, i.e. upon Listing.

The consideration payable by each of the grantees for the grant of the options is HK\$1.00. The options granted carry no dividend or voting rights before they are vested.

When exercisable, each option is convertible into one ordinary share. The exercise price of options is HK\$0.115 per share.

Set out below are summaries of options granted under the Pre-IPO Share Option Scheme:

	Four months ended 30 April 2019	
	Exercise price per share option	Number of options
Beginning of the period	–	–
Granted during the period	HK\$0.115	23,400,000
End of the period	<u>HK\$0.115</u>	<u>23,400,000</u>

No options were exercised, forfeited and expired during the four months ended 30 April 2019.

Share options outstanding at the end of the period have the following expiry date and exercise price:

		Four months ended 30 April 2019	
Grant date	Expiry date	Exercise price	Number of options
21 March 2019	21 March 2029	<u>HK\$0.115</u>	<u>23,400,000</u>

The weighted average remaining contractual life of options outstanding at end of 30 April 2019 was 9.98 years. No outstanding share options as at 30 April 2019 were vested.

Total expenses arising from share-based payment transactions during the years/periods were as follows:

	Four months ended 30 April 2019
	<i>HK\$'000</i>
Share-based payment expenses charged in the consolidated statements of comprehensive income	<u>481</u>

The valuation of the share options were undertaken by APAC Asset Valuation and Consulting Limited, an independent qualified professional valuer. The valuer has appropriate professional qualifications and recent experience in the valuation of similar business enterprise. The fair values of the share options are derived using the binomial model that takes into account the exercise price, the term of option, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the period ended 30 April 2019 included:

- (a) Exercise price: HK\$0.115
- (b) Grant date: 21 March 2019
- (c) Expiry date: 21 March 2029
- (d) Share price at grant date: HK\$1.15
- (e) Expected price volatility: 48%
- (f) Expected dividend yield: 1.77%
- (g) Risk free interest rate: 1.68%

The expected price volatility is based on the historic volatility of certain listed companies considered by the valuer to be comparable to the Company (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

23 LEASE LIABILITIES

The rights to the leased asset are reverted to the lessor in the event of default of the lease liabilities by the Group.

	As at 31 December			As at 30 April 2019
	2016	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments due				
Within one year	80	40	2,222	2,222
After 1 year but within 2 years	40	–	2,097	1,357
	<u>120</u>	<u>40</u>	<u>4,319</u>	<u>3,579</u>
Less: future finance charges	(10)	(3)	(257)	(180)
Present value of lease liabilities	<u>110</u>	<u>37</u>	<u>4,062</u>	<u>3,399</u>

The lease liabilities analysed in the consolidated statement of financial position as follows:

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
Within one year	73	37	2,030	2,072
After 1 year but within 2 years	37	–	2,032	1,327
	<u>110</u>	<u>37</u>	<u>4,062</u>	<u>3,399</u>

The Group leases certain of its property, plant and equipment under finance leases. The original lease term entered by the Group for the leases outstanding as at 31 December 2016, 2017 and 2018 and 30 April 2019 are 3 years, 3 years, 2 to 3 years and 2 to 3 years respectively. The interest rate of each lease contracts is fixed at its contract date, and the interest rates of all the lease liabilities were 3%, 3%, 6% and 6% per annum as at 31 December 2016, 2017 and 2018 and 30 April 2019 respectively.

The total cash outflows for leases including payments of lease liabilities and payments of interest expenses on leases for the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019 were approximately HK\$80,000, HK\$80,000, HK\$637,000, HK\$27,000 and HK\$741,000 respectively.

24 TRADE, BILLS AND RETENTION AND OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
Trade payables (<i>Note (a)</i>)	56,831	60,622	29,078	33,072
Bills payable (<i>Note (b)</i>)	–	744	625	147
Retention payable (<i>Note (c)</i>)	12,611	7,931	8,253	9,787
Trade, bills and retention payables	<u>69,442</u>	<u>69,297</u>	<u>37,956</u>	<u>43,006</u>
Accrued staff costs	–	–	4,955	–
Accrued listing expenses	–	–	1,460	3,454
Payable for purchasing property, plant and equipment	–	–	447	51
Other accrued operating expenses	455	761	532	789
Other payables	–	–	102	102
Other payables and accruals	<u>455</u>	<u>761</u>	<u>7,496</u>	<u>4,396</u>
Dividend payable	<u>1,000</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>70,897</u>	<u>70,058</u>	<u>45,452</u>	<u>47,402</u>

(a) Trade payables

Trade payables are unsecured and the credit terms of trade payables granted by suppliers are mostly 30 days from invoice date. The ageing analysis of trade payables based on invoice date as at 31 December 2016, 2017 and 2018 and 30 April 2019 were as follows:

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
0 – 30 days	28,702	25,455	21,977	31,588
31 – 60 days	8,620	12,852	6,342	161
61 – 90 days	66	156	–	1,028
91 – 120 days	1,848	163	759	10
Over 120 days	17,595	21,996	–	285
	<u>56,831</u>	<u>60,622</u>	<u>29,078</u>	<u>33,072</u>

(b) Bills payables

The balance represents bank acceptance notes with maturity dates within two months. The maturity days of the bills payables of the Group are as follows.

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Due within 30 days	–	–	625	147
Due between 31 to 60 days	–	744	–	–
	<u>–</u>	<u>744</u>	<u>625</u>	<u>147</u>

(c) Retention payables

Retention payables are settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. In the consolidated statements of financial position, retention payables were classified as current liabilities based on operating cycle. The ageing analysis of these retention payables based on the terms of related contracts was as follows:

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Will be settled within twelve months	1,541	2,089	3,485	3,757
Will be settled more than twelve months after the end of the year/period	11,070	5,842	4,768	6,030
	<u>12,611</u>	<u>7,931</u>	<u>8,253</u>	<u>9,787</u>

The carrying amounts of trade, bills and retention and other payables and accruals approximated their fair values as at 31 December 2016, 2017 and 2018 and 30 April 2019 and were denominated in the following currencies:

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
HK\$	70,897	68,009	44,623	47,255
US\$	–	2,049	625	147
EUR	–	–	204	–
	<u>70,897</u>	<u>70,058</u>	<u>45,452</u>	<u>47,402</u>

25 BANK BORROWINGS

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Current				
<i>Secured</i>				
Term loan with a repayment on demand clause	62	–	–	–
Import loans with repayment on demand clauses	<u>25,048</u>	<u>15,842</u>	<u>8,856</u>	<u>12,347</u>
Total bank borrowings	<u>25,110</u>	<u>15,842</u>	<u>8,856</u>	<u>12,347</u>

Note:

- (a) Bank borrowings represented the term loans, import loans and overdraft drawn by the Group

The Group's borrowings were repayable as follows:

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Within 1 year or repayable on demand	<u>25,110</u>	<u>15,842</u>	<u>8,856</u>	<u>12,347</u>

The borrowings were repayable, without taking into account the repayable on demand clauses, as follows:

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Within 1 year	<u>25,110</u>	<u>15,842</u>	<u>8,856</u>	<u>12,347</u>

(b) Bank borrowings represented the term loans and import loans drawn by the Group

The Group had total unused facilities amounting to approximately HK\$77,151,000, HK\$97,154,000, HK\$65,797,000 and HK\$19,578,000 as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

As at 31 December 2016 and 2017, the total bank borrowings were guaranteed/secured by:

- (i) Guaranteed jointly and severally by the directors, which will be fully released upon the Listing (Note 31(b));
- (ii) Leasehold land and buildings (Note 14); and
- (iii) Pledged deposits (Note 21).

As at 31 December 2018 and 30 April 2019, the total bank borrowings were guaranteed/secured by:

- (i) Guaranteed jointly and severally by the directors, which will be fully released upon the Listing (Note 31(b)); and
- (ii) Pledged deposits (Note 21).

The weighted effective interest rates as at each of the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2019 were as follows:

	As at 31 December			As at
	2016	2017	2018	30 April 2019
Term loan	2.95%	N/A	N/A	N/A
Import loans	5.75%	4.68%	2.78%	5.70%

The carrying amounts of borrowings approximated their fair values due to their short maturities.

An analysis of the carrying amounts of the Group's borrowings by currency is as follows:

	As at 31 December			As at
	2016	2017	2018	30 April 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
US\$	–	4,509	–	799
HK\$	23,100	6,556	–	9,906
EUR	2,010	4,777	8,856	1,642
	<u>25,110</u>	<u>15,842</u>	<u>8,856</u>	<u>12,347</u>

26 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The movements in the net deferred income tax assets are as follows:

	<i>HK\$'000</i>
As at 1 January 2016	387
Charged to the consolidated statement of comprehensive income (<i>Note 11</i>)	(9)
As at 31 December 2016 and 1 January 2017	378
Credited to the consolidated statement of comprehensive income (<i>Note 11</i>)	33
As at 31 December 2017 and 1 January 2018	411
Credited to the consolidated statement of comprehensive income (<i>Note 11</i>)	2
As at 31 December 2018 and 1 January 2019	413
Credited to the consolidated statement of comprehensive income (<i>Note 11</i>)	6
As at 30 April 2019	<u>419</u>
(Unaudited)	
As at 1 January 2018	411
Credited to the consolidated statement of comprehensive income (<i>Note 11</i>)	14
As at 30 April 2018	<u>425</u>

(a) Net deferred tax assets

	As at 31 December			As at
	2016	2017	2018	30 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The balance comprises temporary differences attributable to:				
Decelerated tax depreciation	95	92	–	–
Warranty provision	396	424	467	458
Lease liabilities	–	–	30	19
Total deferred tax assets	<u>491</u>	<u>516</u>	<u>497</u>	<u>477</u>
Set-off of deferred tax liabilities pursuant to offsetting of balances within same taxation jurisdiction	<u>(79)</u>	<u>(74)</u>	<u>(61)</u>	<u>(38)</u>
Net deferred tax assets	<u>412</u>	<u>442</u>	<u>436</u>	<u>439</u>

	<u>Decelerated tax depreciation</u>	<u>Warranty provision</u>	<u>Lease liabilities</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Movement				
As at 1 January 2016	101	363	–	464
(Charged)/credited to the consolidated statement of comprehensive income	<u>(6)</u>	<u>33</u>	<u>–</u>	<u>27</u>
As at 31 December 2016 and 1 January 2017	95	396	–	491
(Charged)/credited to the consolidated statement of comprehensive income	<u>(3)</u>	<u>28</u>	<u>–</u>	<u>25</u>
As at 31 December 2017 and 1 January 2018	92	424	–	516
(Charged)/credited to the consolidated statement of comprehensive income	<u>(92)</u>	<u>43</u>	<u>30</u>	<u>(19)</u>
As at 31 December 2018 and 1 January 2019	–	467	30	497
Charged to the consolidated statement of comprehensive income	<u>–</u>	<u>(9)</u>	<u>(11)</u>	<u>(20)</u>
As at 30 April 2019	<u>–</u>	<u>458</u>	<u>19</u>	<u>477</u>
(Unaudited)				
As at 1 January 2018	92	424	–	516
(Charged)/credited to the consolidated statement of comprehensive income	<u>(5)</u>	<u>14</u>	<u>–</u>	<u>9</u>
As at 30 April 2018	<u>87</u>	<u>438</u>	<u>–</u>	<u>525</u>

(b) Net deferred tax liabilities

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
The balance comprises temporary differences attributable to:				
Accelerated tax depreciation	(113)	(105)	(84)	(58)
Set-off of deferred tax assets pursuant to offsetting of balances within same taxation jurisdiction	79	74	61	38
Net deferred tax liabilities	(34)	(31)	(23)	(20)
				Accelerated tax depreciation
				HK\$'000
Movement				
As at 1 January 2016				(77)
Charged to the consolidated statement of comprehensive income				(36)
As at 31 December 2016 and 1 January 2017				(113)
Credited to the consolidated statement of comprehensive income				8
As at 31 December 2017 and 1 January 2018				(105)
Credited to the consolidated statement of comprehensive income				21
As at 31 December 2018 and 1 January 2019				(84)
Credited to the consolidated statement of comprehensive income				26
As at 30 April 2019				(58)
(Unaudited)				
As at 1 January 2018				(105)
Credited to the consolidated statement of comprehensive income				5
As at 30 April 2018				(100)

27 PROVISIONS

	As at 31 December			As at
	2016	2017	2018	30 April
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Current				
Warranties (<i>Note (a)</i>)	2,400	2,566	2,833	2,775
Non-current				
Reinstatement costs (<i>Note (b)</i>)	–	–	559	559
Employee benefits obligations (<i>Note (c)</i>)	1,520	1,929	1,123	733
	1,520	1,929	1,682	1,292
	3,920	4,495	4,515	4,067

(a) Warranties

Provision is made for estimated future warranty claims based on historical warranty claim information, as well as recent trends. Movements during the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019 are set out below:

	As at 31 December			As at 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Beginning of the year/period	2,203	2,400	2,566	2,566	2,833
Provision for the year/period (<i>Note 8</i>)	738	1,257	938	313	256
Utilisation of provision	(541)	(1,091)	(671)	(224)	(314)
End of the year/period	2,400	2,566	2,833	2,655	2,775

(b) Reinstatement costs

The Group is required to restore the leased premises to their original condition at the end of the respective lease terms. A provision was recognised of the estimated expenditure required to remove any leasehold improvements. These costs were capitalised as part of the cost of right-of-use assets and are amortised over the shorter of the term of the lease or the useful life of the assets. Movements during the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019 are set out below:

	As at 31 December			As at 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Beginning of the year/period	–	–	–	–	559
Additional provision charged to plant and equipment (<i>Note 14</i>)	–	–	559	–	–
End of the year/period	–	–	559	–	559

(c) Employee benefits obligations

The employee benefits obligations provision represents long service payments for Hong Kong employees that is not expected to be paid within the next 12 months. Movements during the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019 are set out below:

	As at 31 December			As at 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Beginning of the year/period	1,372	1,520	1,929	1,929	1,123
Provision/(reversal) for the year/period	148	409	(806)	(125)	–
Utilisation of provision	–	–	–	–	(390)
End of the year/period	<u>1,520</u>	<u>1,929</u>	<u>1,123</u>	<u>1,804</u>	<u>733</u>

28 CASH GENERATED FROM/(USED IN) OPERATIONS**(a) Reconciliation of profit before income tax to cash generated from/(used in) operations:**

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Profit before income tax	69,455	71,966	111,037	28,859	24,759
Adjustments for:					
Depreciation of property, plant and equipment	744	703	1,536	188	1,023
Dividend income	(1,510)	(1,586)	(1,675)	(678)	(720)
Finance income	(283)	(380)	(674)	(196)	(233)
Finance costs	746	1,210	834	166	158
Gain on disposals of property, plant and equipment	–	–	(47,079)	–	–
Loss on written-off of property, plant and equipment	7	–	97	–	–
Non-cash employee benefits expense – share based payments	–	–	–	–	481
Net exchange differences	771	(4,192)	2,632	(1,237)	257
	<u>69,930</u>	<u>67,721</u>	<u>66,708</u>	<u>27,102</u>	<u>25,725</u>

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Changes in working capital					
Inventories	(3,070)	(4,301)	(2,189)	(7,703)	3,244
Trade and retention receivables	(63,462)	47,215	(1,150)	(13,755)	19,508
Deposits, prepayments and other receivables	(662)	(2,807)	(15,345)	1,822	13,159
Contract assets and liabilities, net	25,683	(70,698)	(42,124)	32,445	(37,359)
Amounts due from/(to) directors, net	108	(1,086)	546	(22)	(447)
Amount due to a related party	63	(2,625)	(3,618)	91	–
Trade, bills and retention payables	(125)	(145)	(31,341)	(10,152)	5,050
Other payables and accruals	352	306	5,753	(426)	(3,100)
Provisions	345	575	20	(36)	(448)
Cash generated from/(used in) operations	<u>29,162</u>	<u>34,155</u>	<u>(22,740)</u>	<u>29,366</u>	<u>25,332</u>

- (b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Net book amount	–	–	6,021	–	–
Gain on disposals of property, plant and equipment	–	–	47,079	–	–
Proceeds from disposal of property, plant and equipment (Note 28(d)(iii))	<u>–</u>	<u>–</u>	<u>53,100</u>	<u>–</u>	<u>–</u>

(c) Reconciliation of liabilities arising from financing activities:

The analysis of liabilities arising from financing activities and the movements in liabilities arising from financing activities for the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019 is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Bank borrowings	25,110	15,842	8,856	3,010	12,347
Lease liabilities	110	37	4,062	12	3,399
Total borrowings	25,220	15,879	12,918	3,022	15,746
	1 January	Cash flows	Foreign exchange movement	Other non-cash movement	31 December
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 December 2016					
Bank borrowings	10,647	14,761	(298)	–	25,110
Lease liabilities	183	(80)	–	7	110
	10,830	14,681	(298)	7	25,220
For the year ended 31 December 2017					
Bank borrowings	25,110	(10,144)	876	–	15,842
Lease liabilities	110	(80)	–	7	37
	25,220	(10,224)	876	7	15,879
For the year ended 31 December 2018					
Bank borrowings	15,842	(6,644)	(342)	–	8,856
Lease liabilities	37	(637)	–	4,662	4,062
	15,879	(7,281)	(342)	4,662	12,918
For the four months ended 30 April 2019					
Bank borrowings	8,856	3,590	(99)	–	12,347
Lease liabilities	4,062	(741)	–	78	3,399
	12,918	2,849	(99)	78	15,746
(Unaudited) For the four months ended 30 April 2018					
Bank borrowings	15,842	(12,781)	(51)	–	3,010
Lease liabilities	37	(27)	–	2	12
	15,879	(12,808)	(51)	2	3,022

(d) Major non-cash transactions:

- (i) During the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019, dividend income of approximately HK\$923,000, HK\$1,586,000, HK\$1,675,000, HK\$678,000 and HK\$720,000 respectively were stock dividend received in lieu of cash from the Group's financial assets at fair value through other comprehensive income.
- (ii) During the year ended 31 December 2018, cost of property leases of approximately HK\$4,544,000 and reinstatement cost of HK\$559,000 (Note 27(b)) were capitalised as the right-of-use assets.
- (iii) During the year ended 31 December 2018, pursuant to the agreement entered between the shareholders of Acme Metal, Hope Harvest Limited and Million Pro Holdings Limited, the sales proceeds of disposal of property, plant and equipment of HK\$53,100,000 (Note 28(b)) was offset by the dividends declared by Acme Metal of the same amount. Hope Harvest Limited and Million Pro Holdings Limited were controlled by certain shareholders of the Company (Note 31).
- (iv) During the four months ended 30 April 2019, pursuant to the Reorganisation, Mr. Kwan and Mr. Mak purchased 360,000 and 390,000 shares in Acme Metal from Mr. Pong, the non-controlling interests of the Group, for a consideration of HK\$25,920,000 and HK\$28,080,000, respectively. This total purchase consideration of HK\$54,000,000 paid by Mr. Kwan and Mr. Mak for the acquisition of the non-controlling interests was regarded as the capital contribution from Controlling Shareholders to the Group (Note 30) without any cash flows impact to the Group.

29 CONTINGENCIES

At each of the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2019, the Group's contingent liabilities were as follows:

(i) Surety bonds

	As at 31 December			As at
	2016	2017	2018	30 April 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Surety bonds (Note)	17,202	16,691	16,432	16,925

Note: As at 31 December 2016, 2017 and 2018 and 30 April 2019, the Group provided guarantees of surety bonds in respect of 15, 17, 17 and 16 construction contracts of the Group in its ordinary course of business respectively. The surety bonds are expected to be released in accordance with the term of the respective construction contracts.

(ii) Claim

During the year ended 31 December 2018, the Group received a claim from a customer for a damage amounted to approximately HK\$3,381,000. Up to the date of this report, the claim is still under preliminary stage, the directors are of the opinion that the final outcome is unable to be determined at this stage and believes that the Group has reasonable ground to defend the claim which would not result in any material adverse effects to the consolidated financial statements of the Group.

30 TRANSACTION WITH NON-CONTROLLING INTERESTS

Pursuant to the Reorganisation (Note 1.2), on 31 January 2019, the Controlling Shareholders acquired 25% of the equity interests of Acme Metal from Mr. Pong (the non-controlling interests of the Group) for a total consideration of HK\$54,000,000. This is regarded as a capital contribution to the Group and was recognised as an increase in equity attributable to owners of the Company under “other reserve” of HK\$54,000,000 (Note 28(d)). Immediately prior to the transaction, the carrying amount of the 25% non-controlling interests was approximately HK\$35,174,000. The Group recognised a decrease in non-controlling interests of approximately HK\$35,174,000 and a decrease in equity attributable to owners of the Company under “other reserve” of approximately HK\$18,826,000. The effect of the transaction on the equity attributable to owners under “other reserve” is summarised as follows:

	As at 30 April 2019
	HK\$'000
Increase in other reserve due to capital contribution from the Controlling Shareholders	54,000
Carrying amount of non-controlling interests acquired	35,174
Consideration paid to non-controlling interests	(54,000)
Decrease in other reserve due to acquisition of non-controlling interests	(18,826)
Net increase in other reserve	35,174

31 RELATED PARTY TRANSACTIONS

Parties are considered to be related if an entity, a person or a close member of that person's family has control, joint control or significant influence over the other party in making financial and operating decisions.

The Directors are of the view that the following companies were related parties that had transactions or balances with the Group as at and during the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2018 and 2019:

Name of related parties	Relationship with the Group
Best Mate Engineering Limited	Controlled by close members of Mr. Kwan
Hope Harvest Limited	Controlled by Mr. Kwan and Mr. Mak
Million Pro Holdings Limited	Controlled by Mr. Kwan and Mr. Mak
Acme Gondola Systems Limited ("Acme Gondola Macau") (Note)	Controlled by Mr. Kwan and Mr. Mak

Note: The Company was incorporated in the Macau Special Administrative Region on 4 May 2007.

(b) Financial guarantee by the directors

At each of the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2019, the directors had issued personal guarantee for banking facilities to the Group to the extent of HK\$124,314,000, HK\$132,864,000, HK\$103,283,000 and HK\$58,000,000, respectively. Such banking facilities in relation to term loans and import loans totalling HK\$27,498,000, HK\$15,842,000, HK\$8,856,000 and HK\$12,347,000, respectively, were utilised by the Group. All the above guarantees received and issued will be fully released upon the Listing.

(c) Key management compensation

Key management includes Executive Directors and the senior management of the Group.

Compensation of the key management personnel of the Group, including Director's remunerations as disclosed in Note 13 to the Historical Financial Information, is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Wages, salaries and allowances	4,900	5,279	5,976	1,770	2,171
Discretionary bonuses	–	–	1,150	–	–
Share-based payments	–	–	–	–	401
Pension costs – defined contribution plans	90	90	98	30	36
	<u>4,990</u>	<u>5,369</u>	<u>7,224</u>	<u>1,800</u>	<u>2,608</u>

(d) Amounts due from/(to) directors and a related party

	As at 31 December			As at 30 April 2019
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current balances:				
Amounts due from/(to) directors				
– Mr. Kwan Kam Tim	50	28	(80)	(21)
– Mr. Mak Kim Hung	(58)	1,050	612	1,000
	<u>(8)</u>	<u>1,078</u>	<u>532</u>	<u>979</u>
Maximum amount outstanding during the year/period				
– Mr. Kwan Kam Tim	50	50	50	–
– Mr. Mak Kim Hung	50	1,050	1,050	1,000
	<u>50</u>	<u>1,100</u>	<u>1,100</u>	<u>1,000</u>
Amount due to a related party				
– Acme Gondola Macau	6,243	3,618	–	–
	<u>6,243</u>	<u>3,618</u>	<u>–</u>	<u>–</u>

Notes:

- (i) The amounts due from directors are non-trade in nature and the amounts due to directors are trade in nature. They are unsecured, interest-free and repayable on demand.
- (ii) The carrying amount of amounts due from/(to) directors and a related company approximated their fair values. The balances were denominated in HK\$.

32 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Dividends during each of the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2019 represented dividends declared by a company now comprising the Group to the equity holders of the company for each of the years ended 31 December 2016, 2017 and 2018 and four months ended 30 April 2019. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

33 SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 April 2019.

- (i) Pursuant to a shareholders' resolution passed on 18 October 2019, conditional on the share premium account of the Company being credited as a result of the Global Offering, the directors are authorised to and will issue a total of 389,999,994 shares by way of capitalisation of the sum of HK\$3,900,000 standing to the credit of the share premium account of the Company upon the Global Offering.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2019 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2019.

The information set out in this Appendix II does not form part of the Accountant's Report from the reporting accountant of the Company, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared in accordance with Rule 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 Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2019 as if the Global Offering had taken place on 30 April 2019.

This unaudited pro forma statement of adjusted consolidated net tangible assets 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 Global Offering been completed as at 30 April 2019 or at any future dates.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2019 (Note 1)	Estimated net proceeds from the Global Offering (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share (Note 3)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Based on an Offer Price of HK\$0.97 per share	<u>242,915</u>	<u>99,521</u>	<u>342,436</u>	<u>0.66</u>
Based on an Offer Price of HK\$1.31 per share	<u>242,915</u>	<u>140,668</u>	<u>383,583</u>	<u>0.74</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2019 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is the audited consolidated net assets of the Group attributable to owners of the Company as at 30 April 2019 of HK\$242,915,000, as the Group did not have any intangible assets as at 30 April 2019.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$0.97 and HK\$1.31 per Share, respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses borne by the Group (excluding HK\$13,805,000 listing expenses which have been accounted for in the consolidated income statements up to 30 April 2019), without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options and the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares or the general mandate to repurchase shares.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 520,000,000 Shares were in issue (assuming that the Global Offering and the Capitalisation Issue have been completed on 30 April 2019), without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options and the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares or the general mandate to repurchase shares.
- (4) Save as disclosed in (3) above, no adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 April 2019.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Acme International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Acme International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 April 2019, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 25 October 2019, in connection with the proposed global offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed global offering on the Group's financial position as at 30 April 2019 as if the proposed global offering had taken place at 30 April 2019. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's consolidated financial statements, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited 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 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("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 behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited 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 Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed global offering at 30 April 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 October 2019

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES 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 17 August 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). Our Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “**Memorandum**”) and its Amended and Restated Articles of Association (the “**Articles**”).

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 18 October 2019 with effect upon Listing. 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

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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 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 our Directors may determine;
- (iv) subdivide 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.

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(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 our 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 our 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.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that our 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.

Our 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.

Our 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 our 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 our 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 our 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.

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(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 our 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.

Our 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.

(vii) Calls on shares and forfeiture of shares

Our 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 instalments. 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 our Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but our Board may waive payment of such interest wholly or in part. Our 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 instalments 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 our Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, our 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.

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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 our 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 our 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 our Board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of our 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. Our Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

Our Directors have the power to appoint any person as a Director either to fill a casual vacancy on our 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.

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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 our Board for six (6) consecutive months, and our 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.

Our 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 our Board may determine and our Board may revoke or terminate any of such appointments. Our Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as our 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 our Board.

(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 our Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

Our 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 our Company on such terms as it may determine.

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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 our 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 our 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 our 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. Our 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

Our 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 our Company or of any third party.

(v) Remuneration

The ordinary remuneration of our 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 our Directors in such proportions and in such manner as our 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. Our Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental

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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 our Board go beyond the ordinary duties of a Director may be paid such extra remuneration as our 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 our Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

Our 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 past 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.

Our 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 our Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

Our 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 our Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than our Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, our Company) 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

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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 our 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 our 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. Our 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 our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to our 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

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Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of our 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 our 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 our 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.

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(c) Proceedings of our Board

Our 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.

(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 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 instalments 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.

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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 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 our Company having the right of voting at general meetings. Such requisition shall be made in writing to our Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by our 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, our 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 our Board shall be reimbursed to the requisitionist(s) by our Company.

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(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.

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 or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by 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 our 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 our 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.

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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.

(f) Accounts and audit

Our 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 our 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 our 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 our 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

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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 our 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 our 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 our 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 auditor 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 our 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.

(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 our 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 our 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. Our 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.

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Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, our 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 our Board may think fit.

Our Company may also upon the recommendation of our 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.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared, our 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 our 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 our 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.

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(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 our 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 our 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.

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

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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.

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

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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.

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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.

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In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

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An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, our Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to 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 29 August, 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to 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.

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(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. Our company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

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.

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.

(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 (the "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.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

4. GENERAL

Conyers Dill & Pearman, our 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 GROUP**1. Incorporation of our Company**

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 17 August 2018. Our Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established our principal place of business in Hong Kong at Units A & B, 12/F, Yin Da Commercial Building, No. 181 Wai Yip Street, Kwun Tong, Kowloon and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 21 March 2019, with Mr. Mak appointed as the authorised representative of our Company for acceptance of service of process in Hong Kong under the same address.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Islands Companies Law and its constitution comprises the Memorandum and the Articles. A summary of various provisions of the Memorandum and the Articles and relevant aspects of the Cayman Islands Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares. The following sets out the changes in our Company's share capital since its incorporation:

- (a) On 17 August 2018, the initial subscriber transferred one issued Share of HK\$0.01 each in our Company to SV.
- (b) On 19 February 2019, our Company allotted and issued one Share to RR.
- (c) On 28 February 2019, our Company allotted and issued one Share to each of RR and SV as consideration for the acquisition of the entire issued share capital of Acme Metal by Acme Metal BVI as part of the Reorganisation.
- (d) On the same day, our Company allotted and issued one Share to each of RR and SV, as consideration for the acquisition of the entire issued share capital of Acme Gondola by Acme Gondola BVI as part of the Reorganisation.
- (e) On 18 October 2019, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$40,000,000 divided into 4,000,000,000 Shares by the creation of an additional 3,962,000,000 Shares.

Conditional on the share premium account of our Company being credited with the proceeds from the Global Offering, the amount of HK\$3,899,999.94 standing to the credit of the share premium account of our Company will be capitalised and applied in paying up in full 389,999,994 Shares which will be allotted and issued to our Shareholders on or before the Listing Date.

Immediately following the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the Over-allotment Option or any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options and any option which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK\$5,200,000 divided into 520,000,000 Shares fully paid or credited as fully paid and 3,480,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options or any option that may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above and as mentioned in the paragraph headed “– 4. Written resolutions of our Shareholders passed on 18 October 2019” in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital in our subsidiaries

Save as disclosed in the paragraph headed “History, Development and Reorganisation – Reorganisation”, there been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

4. Written resolutions of our Shareholders passed on 18 October 2019

Pursuant to the written resolutions of our Shareholders passed on 18 October 2019, among other things:

- (a) our Company approved and conditionally adopted the Memorandum and the Articles which will become effective upon the Listing;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$40,000,000 divided into 4,000,000,000 Shares by the creation of an additional 3,962,000,000 Shares, each ranking *pari passu* in all respects with the Shares in issue;
- (c) our Company approved and adopted the rules of the Share Option Scheme, conditional on, among others, the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue, the Global Offering and the Share Option Scheme, our Directors are authorised to grant options and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme;

- (d) conditional on, among others, the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the Underwriting Agreements on or before such dates as may be specified in the Underwriting Agreements:
- (i) the Global Offering was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Global Offering;
 - (ii) the Over-allotment Option was approved and our Directors were authorised to allot and issue the additional Shares pursuant to the exercise of the Over-allotment Option;
 - (iii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to capitalise an amount of HK\$3,899,999.94 standing to the credit of the share premium account of our Company by applying such sum in paying up in full 389,999,994 Shares, such Shares to be allotted and issued to our Shareholders whose names appeared on the register of members of our Company as at 6:00 p.m. on 18 October 2019 on a pro rata basis;
 - (iv) a general unconditional mandate was granted to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), other than pursuant to (1) a rights issue, (2) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, (3) the exercise of any options which may be granted pursuant to the Share Option Scheme or (4) a specific authority granted by our Shareholders in general meeting, unissued Shares not exceeding 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options or any option which may be granted under the Share Option Scheme), such mandate to remain in effect until the earliest of (x) the conclusion of our Company's next annual general meeting; (y) the date by which our Company's next annual general meeting is required by the Articles or the Companies Law or applicable laws in the Cayman Islands to be held; or (z) such mandate being revoked or varied by ordinary resolutions of our Shareholders at a general meeting (the "**Relevant Period**"), subject to and in accordance with all applicable laws in Hong Kong and the Cayman Islands and the requirements of the Listing Rules as amended from the Listing Date;

- (v) a general unconditional mandate (“**Repurchase Mandate**”) was granted to our Directors to exercise all powers of our Company to repurchase, on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options or any option which may be granted under the Share Option Scheme), such mandate to remain in effect until the expiry of the Relevant Period, subject to and in accordance with all applicable laws in Hong Kong and the Cayman Islands and the requirements of the Listing Rules as amended from the Listing Date; and
- (vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the total number of Shares of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the total number of Shares of our Company repurchased by our Company pursuant to the Repurchase Mandate.

5. Corporate reorganisation

We underwent the Reorganisation in preparation for the Listing. Please refer to the section headed “History, development and Reorganisation – Reorganisation” in this prospectus for further details.

6. Repurchase of our Company’s securities

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Main Board of Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders’ approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of its Shareholders, either by way of general mandate or by specific approval of a particular transaction.

On 18 October 2019, our Directors were granted a general unconditional mandate to repurchase up to 10% of the total number of Shares in issue immediately following the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the

Over-allotment Option, the Pre-IPO Share Options or options that may be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which our Company's securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This mandate will expire at the earliest of (i) the conclusion of our Company's next annual general meeting; (ii) the date by which our Company's next annual general meeting is required by the Articles or the Cayman Islands Companies Law or applicable laws in the Cayman Islands to be held; or (iii) such mandate being revoked or varied by ordinary resolutions of our Shareholders at a general meeting (the "**Relevant Period**").

(ii) Source of funds

Our Company's repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with the Articles, the Cayman Islands Companies Law and the applicable laws of the Cayman Islands. Our Company may not repurchase the Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, under Cayman Islands law, our Company may make repurchases out of the profit, or out of our Company's share premium account, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase, or, if so authorised by the Articles and subject to the provisions of the Cayman Islands Companies Law, out of capital. Any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for out of either or both the profits of our Company or our Company's share premium account, before or at the time the Shares are repurchased, or if so authorised by the Articles and subject to the Cayman Islands Companies Law, out of capital.

(b) Reasons for repurchases

Our Directors believe that it is in our Company's and our Shareholders' best interests for our Directors to have general authority to execute repurchases of the Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules, the Cayman Islands Companies Law and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Islands Companies Law, out of capital and, in the case of any premium payable on the purchase, out of either or both of the profits of our Company or the share premium account of our Company or, subject to the Cayman Islands Companies Law, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital or the gearing position of our Company, and would only exercise the Repurchase Mandate when in the opinion of our Directors, is from time to time appropriate for our Company.

(d) Share capital

The exercise in full of the current Repurchase Mandate, on the basis of 520,000,000 Shares in issue immediately after the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the Over-allotment Option, the Pre-IPO Share Options or any Shares which may be issued pursuant to exercise of any option that may be granted under the Share Option Scheme), could accordingly result in up to 52,000,000 Shares being repurchased by our Company during the Relevant Period.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules, applicable laws and regulations of the Cayman Islands and the Articles.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in our Company's voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of our Shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as mentioned above, our Directors are not aware of any consequences of repurchases pursuant to the Repurchase Mandate which would arise under the Takeovers Code.

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 us that he, she or it has a present intention to sell his, her or its Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of our material contracts








We have entered into the following contracts (not being contracts entered into in the ordinary course of our business) within two years immediately preceding the date of this prospectus which are or may be material:

- (a) the agreement for sale and purchase dated 16 August 2018 entered into between Acme Metal and Million Pro in relation to the disposal of the property known as Fourth Floor, No. 33 Hung To Road, Kowloon, Hong Kong by Acme Metal to Million Pro for a consideration of HK\$34,200,000;
- (b) the agreement for sale and purchase dated 16 August 2018 entered into between Acme Metal and Hope Harvest in relation to the disposal of the property known as Block A on 8th Floor, Wai Yip Industrial Building, No. 171 Wai Yip Street, Kowloon, Hong Kong by Acme Metal to Hope Harvest for a consideration of HK\$18,900,000;
- (c) the reorganisation agreement dated 28 February 2019 entered into among Mr. Kwan, Mr. Mak, RR, SV, our Company, Acme Metal BVI and Acme Metal in relation to the sale and purchase of the entire issued share capital of Acme Metal by Acme Metal BVI for a consideration of HK\$141,029,005, which was satisfied by the allotment and issuance of one consideration share in our Company to each of RR and SV as nominees of Mr. Kwan and Mr. Mak, respectively;
- (d) the reorganisation agreement dated 28 February 2019 entered into among Mr. Kwan, Mr. Mak, RR, SV, our Company, Acme Gondola BVI and Acme Gondola in relation to the sale and purchase of the entire issued share capital of Acme Gondola by Acme Gondola BVI for a consideration of HK\$137,092,007, which was satisfied by the allotment and issuance of one consideration share in our Company to each of RR and SV as nominees of Mr. Kwan and Mr. Mak, respectively;
- (e) the Deed of Non-competition;
- (f) the Deed of Indemnity; and
- (g) the Hong Kong Underwriting Agreement.

2. Our intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which are material to our business:

No.	Trademark	Place of registration	Registered owner	Trademark number	Class	Expiry date
1		Hong Kong	Acme Metal	304508479	37	26 April 2028
2	  	Hong Kong	Acme Metal	304508488	37	26 April 2028
3	 	Hong Kong	Acme Gondola	304510070	37	29 April 2028
4		Hong Kong	Acme Gondola	302640221	7	16 June 2023

(b) Domain Name

As at the Latest Practicable Date, we had registered the following domain name which is material to our business:

No.	Domain name	Registrant	Place of registration	Expiry date
1	www.acmehld.com	Acme Metal	Hong Kong	21 June 2020

C. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(a) Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations immediately following the completion of the Capitalisation Issue and the Global Offering

Immediately following the completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Options and any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executives of our Company in the equity or debt securities of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case, once the Shares are listed will be as follows:

Interests in the Shares

<u>Name of Director</u>	<u>Capacity/ Nature of interest</u>	<u>Number of Shares immediately following the completion of the Capitalisation Issue and the Global Offering (Note 1)</u>	<u>Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Global Offering</u>
Mr. Kwan Kam Tim (關錦添)	Interest in a controlled corporation (Note 2)	195,000,000 (L)	37.5%
Mr. Mak Kim Hung (麥劍雄)	Interest in a controlled corporation (Note 3)	195,000,000 (L)	37.5%
Ms. Leung Ng Mui May (梁五妹)	Beneficial owner (Note 4)	3,900,000 (L)	0.75%

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Mr. Kwan beneficially owns 100% of the issued share capital of RR. Under the SFO, Mr. Kwan is deemed to be interested in the 195,000,000 Shares held by RR.
- (3) Mr. Mak beneficially owns 100% of the issued share capital of SV. Under the SFO, Mr. Mak is deemed to be interested in the 195,000,000 Shares held by SV.
- (4) As at the Latest Practicable Date, Ms. Leung had been granted options to purchase up to 3,900,000 Shares under the Pre-IPO Share Option Scheme.

Save as disclosed above, none of our Directors or chief executive of our Company has any interests and short positions in the equity or debt securities of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he/she is taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case, once the Shares are listed.

(b) Interests disclosable under the SFO and substantial shareholders of other members of our Group

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors are not aware of any other person, not being a Director or chief executive of our Company, who will have an interest or short position in our 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 any other member of our Group.

D. FURTHER INFORMATION ABOUT OUR DIRECTORS**1. Directors' service contracts***Executive Directors*

Each of our executive Directors has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date which may be terminated by not less than three months' written notice served by either our Company or our executive Director.

The current basic annual salaries of our executive Directors are as follows:

<u>Name</u>	<u>Amount (HK\$)</u>
Mr. Kwan Kam Tim (關錦添)	912,000
Mr. Mak Kim Hung (麥劍雄)	1,332,000
Ms. Leung Ng Mui May (梁五妹)	936,000

Independent non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company for a term of three years commencing from the Listing Date renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment subject to retirement by rotation and re-election at annual general meetings of our Company and until terminated by not less than three months' written notice served by either our Company or the respective Director. Our Company intends to pay a director's fee of HK\$144,000 per annum to the independent non-executive Directors. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration during the Track Record Period

The aggregate amount of remuneration our Directors received (including fees, salaries, contributions to pension schemes and discretionary bonuses) for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 was approximately HK\$3.0 million, HK\$3.3 million, HK\$3.8 million and HK\$1.2 million, respectively.

Save as disclosed above, no other emoluments have been paid or are payable in respect of the three years ended 31 December 2018 and the four months ended 30 April 2019 by our Group to our Directors.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding discretionary bonuses) paid and payable to our Directors for the year ending 31 December 2019 is estimated to be approximately HK\$4.2 million.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for the three years ended 31 December 2018 and the four months ended 30 April 2019 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the three years ended 31 December 2018 and the four months ended 30 April 2019.

E. PRE-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme adopted by our Shareholders on 21 March 2019:

(i) Summary of terms

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain members of our Board and chief executives of our Group to the growth of our Group and/or to the listing of the Shares on the Stock Exchange by granting options to them as incentive or reward, and to attract, retain and motivate the employees of our Group to contribute to our Group and/or strive for future development and expansion of our Group.

The principal terms of the Pre-IPO Share Option Scheme are as follows:

- (a) our Board is entitled at any time during the term of the Pre-IPO Share Option Scheme to make an offer to any eligible person as defined under the Pre-IPO Share Option Scheme;
- (b) the subscription price in respect of the Shares to be allotted and issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme (the “**Subscription Price**”) shall be such price as our Board may in its absolute discretion determine at the time of grant, provided such subscription price shall be no less than the nominal value of the Shares, subject to any adjustment made in the manner as contemplated under the Pre-IPO Share Option Scheme;

- (c) the exercise of the options is subject to, among others, (A) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares and any Shares which may fall to be issued and allotted pursuant to the exercise of any option granted under the Pre-IPO Share Option Scheme, (B) the commencement of dealing of the Shares on the Stock Exchange, (C) all applicable laws and regulations (including the Listing Rules) in relation to the adoption of the Pre-IPO Share Option Scheme, the grant and exercise of the options pursuant to the Pre-IPO Share Option Scheme and all other transactions contemplated under the Pre-IPO Share Option Scheme and (D) the terms of grant of any option under the Pre-IPO Share Option Scheme;
- (d) the maximum number of Shares in respect of all options granted under the Pre-IPO Share Option Scheme will not, in aggregate, exceed 52,000,000 Shares, representing 10% of the issued share capital of our Company upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the Pre-IPO Share Options or any options which may be granted under the Share Option Scheme);
- (e) the right to exercise the options granted under the Pre-IPO Share Option Scheme shall terminate immediately, among others, upon the date on which the grantee ceases to be an eligible person as defined under the Pre-IPO Share Option Scheme for any reason, among others, the termination of his/her employment by early resignation or culpable termination as defined under the Pre-IPO Share Option Scheme;
- (f) the Pre-IPO Share Option Scheme is valid and effective for a period of ten years commencing on 21 March 2019, being the date on which the Pre-IPO Share Option Scheme was adopted by our Shareholders, and will terminate upon Listing. Upon termination of the Pre-IPO Share Option Scheme, no further options will be granted but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the exercise of any options granted.

(ii) Outstanding options granted under the Pre-IPO Share Option Scheme

As at the Latest Practicable Date, options to subscribe for an aggregate of 23,400,000 Shares, representing (A) approximately 4.50% of the issued share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the Pre-IPO Share Options or any options which may be granted under the Share Option Scheme) and (B) approximately 4.31% of the issued share capital of our Company immediately upon completion of the Capitalisation Issue and the Global Offering assuming that all the Pre-IPO Share Options are exercised at the same time (assuming the Over-allotment Option is not exercised and without taking into

account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), have been conditionally granted by our Company under the Pre-IPO Share Option Scheme. Particulars of the Pre-IPO Share Options are set out below.

Based on the total number of 520,000,000 Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), if all the outstanding Pre-IPO Share Options are exercised in full, there would be a dilution effect of approximately 4.31% on the earnings per Share.

(iii) Summary of grantees

The following table sets forth a summary of the grantees who have been granted options under the Pre-IPO Share Option Scheme:

Name of grantee	Address of grantee	Position(s) of grantee in our Group (Note 1)	Number of underlying Shares subject to option	Approximate percentage of issued share capital of our Company immediately after the Capitalisation Issue and the Global Offering (Note 2)	Approximate percentage of issued share capital of our Company immediately after the Capitalisation Issued and the Global Offering assuming all the Pre-IPO Share Options are exercised at the same time (Note 3)
Ms. Leung Ng Mui May (梁五妹)	Flat C, 6/F, Block 6 On Ning Garden Tseung Kwan O Hong Kong	Executive Director	3,900,000 (Note 4)	0.75%	0.72%
Mr. Poon Pui Kit (潘培傑)	Flat H, 33/F, Block 8 Vista Paradiso 2 Hang Ming Street Ma On Shan Hong Kong	Project director	11,700,000 (Note 4)	2.25%	2.15%
Mr. Wong Lap Sun Sunny (黃立新)	Flat C, 27/F, Block T2 Metro Town 8 King Ling Road Tseung Kwan O Hong Kong	General manager	3,900,000 (Note 4)	0.75%	0.72%
Mr. Lau Bing Shing (劉秉誠)	Flat RC, Floor 65 Block II Morning Haze Phase 2C 1 Lohas Park Road Tseung Kwan O Hong Kong	Contract manager	3,900,000 (Note 4)	0.75%	0.72%
		Total:	23,400,000	4.50%	4.31%

Notes:

1. For the biographies of our Directors and senior management, please also refer to the section headed “Directors and senior management” for further detail.
2. Based on the total number of 520,000,000 Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the Pre-IPO Share Options or any options which may be granted under the Share Option Scheme).
3. Based on the total number of 543,400,000 Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).
4. The consideration payable by each of the grantees for the grant of the options was HK\$1.00.

The options granted are subject to the following vesting schedule:

- a. 30% of the options granted shall vest on the third anniversary of the date on which the grant was accepted by the grantee (the “**Acceptance Date**”)
- b. 30% of the options granted shall vest on the sixth anniversary of the Acceptance Date; and
- c. 40% of the options granted shall vest on the tenth anniversary of the Acceptance Date, or upon the retirement of the grantee at the age of 65, whichever is earlier.

The Subscription Price is HK\$0.115 per Share.

Save as disclosed above, no other Pre-IPO Share Options have been or will be granted or have been agreed to be granted by our Company under the Pre-IPO Share Option Scheme. The Pre-IPO Share Option Scheme will terminate upon Listing after which no further options will be offered or granted.

Our grantees have confirmed that each of them will not exercise any options if, as a result of such exercise, our Company will not be able to comply with the public float requirements under Rule 8.08(1) of the Listing Rules.

(iv) Listing application for Shares to be issued under the Pre-IPO Share Option Scheme

All Pre-IPO Share Options were conditionally granted to the grantees on 21 March 2019. Application has been made to the Listing Committee for the approval for the listing of, and permission to deal in, our Shares which may be allotted and issued upon the exercise of the outstanding Pre-IPO Share Options.

F. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by the written resolutions of our Shareholders on 18 October 2019 (the “**Adoption Date**”). The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

(a) Purpose, duration and administration

The purpose of the Share Option Scheme is to (i) motivate Eligible Persons (as set out in paragraph (b) below) to optimise their future contributions to our Group and/or to reward them for their past contributions, (ii) to attract and retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and (iii) additionally in the case of Executives (as defined in paragraph (b) below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Subject to the conditions set out below and paragraph (p) below, the Share Option Scheme shall be valid and effective for the period commencing on the Adoption Date and expiring on the tenth anniversary thereof or such earlier date as the Share Option Scheme is terminated in accordance with paragraph (p) below (the “**Term**”), after which period no further share options shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Share options granted during the Term shall continue to be valid in accordance with their terms of grant after the end of the Term.

The Share Option Scheme shall come into immediate effect on the Listing Date, subject to:

- (i) the passing of the resolution(s) by the shareholders of our Company to approve and adopt the Share Option Scheme and to authorise our Board to grant the share options pursuant to the Share Option Scheme and to allot and issue the Shares pursuant to the exercise of any share options;
- (ii) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the share options in accordance with the terms and conditions of the Share Option Scheme; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

The Share Option Scheme shall be subject to the administration of our Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (except as otherwise provided in the rules of the Share Option Scheme) be final and binding on all parties thereto. Our Board may delegate any or all of its powers in relation to the Share Option Scheme to any of its committees.

(b) Eligible Persons

Our Board may, at its sole discretion, invite any director or proposed director (including an independent non-executive director) of any member of our Group, any director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group (an “**Employee**”), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an “**Executive**”), a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, a person or entity that provides any advisory, consultancy, professional or other services to any member of our Group, or a close associate of any of the foregoing persons (together, the “**Eligible Persons**” and each an “**Eligible Person**”).

(c) Determination of eligibility

- (i) Our Board may, at its sole and absolute discretion, make an offer to grant to any Eligible Person a share option to subscribe for Shares under the Share Option Scheme.
- (ii) The basis of eligibility of any Eligible Person to the grant of any share option shall be determined by our Directors from time to time on the basis of his/her contributions to the development and growth of our Group.
- (iii) For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares to any person who falls within the definition of Eligible Persons shall not, by itself, unless our Directors otherwise determine, be construed as a grant of share options under the Share Option Scheme.
- (iv) An Eligible Person or grantee shall provide our Board such information and supporting evidence as our Board may, in its sole and absolute discretion, request from time to time (including, without limitation, before the offer of a grant of share option is made, at the time of acceptance of a grant of share option, and at the time of exercise of a share option) for the purpose of assessing and/or determining his/her eligibility or continuing eligibility as an Eligible Person and/or grantee or that of his/her close associates or for the purposes in connection with the terms of a share option (and the exercise thereof) or the Share Option Scheme and the administration thereof.

(d) Grant of share options

On and subject to the terms of the Share Option Scheme, our Board shall be entitled at any time within the Term to offer the grant of any share option to any Eligible Person as our Board may in its sole and absolute discretion select, and on acceptance of the offer, grant such part of the Share Option as accepted to the Eligible Person.

Subject to the provisions of the Share Option Scheme, our Board may in its sole and absolute discretion determine whether any conditions, restrictions or limitations in relation to the grant of share option should be imposed in addition to those set out in the Share Option Scheme (which shall be stated in the written notice containing the offer of the grant of the Share Option (the “**Offer Letter**”)) including (without prejudice to the generality of the foregoing) continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, and the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the share option in respect of all or some of the Shares which the share option relates shall vest.

An offer of the grant of a share option shall be deemed to have been accepted when the Company receives from the grantee the duplicate Offer Letter duly executed by the grantee together with a remittance in favour of our Company of HK\$10.00 (or such other amount in any other currency as may be determined by our Board) by way of consideration for the grant thereof within the period specified in the Offer Letter. Once such acceptance is made, the share option shall be deemed to have been granted and to have taken effect from the offer date.

(e) Subscription price of Shares

The subscription price in respect of any particular share option shall be such price as our Board may in its sole and absolute discretion determine at the time of grant of the relevant share option (and shall be stated in the letter containing the offer of the grant of the share option) but the subscription price shall not be less than whichever is the highest of:

- (i) the nominal value of Share;
- (ii) the closing price of Shares as stated in the Stock Exchange’s daily quotations sheet on the offer date; and
- (iii) the average of the closing prices of Shares as stated in the Stock Exchange’s daily quotations sheet for the five Business Days immediately preceding the offer date.

If the Shares have been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares in the Global Offering shall be used as the closing price of the Shares for any Business Day falling within the period before the listing of the Shares on the Stock Exchange.

The subscription price shall also be subject to adjustment in accordance with paragraph (k) below.

(f) Exercise of share options

- (i) A share option shall be exercised in whole or in part by the grantee according to the procedures for the exercise of share options established by our Company from time to time. Every exercise of a share option must be accompanied by a remittance for the full amount of the subscription price for the Shares to be issued upon exercise of such share option.
- (ii) A share option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any share option or purport to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the share option may be registered). Any breach of the foregoing shall entitle our Company to cancel, revoke or terminate any outstanding share option or part thereof granted to such grantee without any compensation.
- (iii) Subject to paragraph (f)(v) below and any conditions, restrictions or limitations imposed in relation to the particular share option pursuant to the provisions of paragraphs (d), (h) or (j) and subject as hereinafter provided, a share option may be exercised at any time during the option period, provided that:
 - (A) if the grantee (being an individual) dies or becomes permanently disabled before exercising a share option (or exercising it in full), he/she (or his/her legal representative(s)) may exercise the share option up to the grantee's entitlement (to the extent not already exercised) within a period of 12 months following his/her death or permanent disability or such longer period as our Board may determine;
 - (B) in the event of the grantee ceasing to be an Executive by reason of his/her retirement pursuant to such retirement scheme applicable to our Group at the relevant time, his/her share option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period;
 - (C) in the event of the grantee ceasing to be an Executive by reason of his/her transfer of employment to an affiliate company of our Company, his/her share option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its sole and absolute discretion otherwise determines in which event the share option (or such remaining part thereof) shall be exercisable within such period as our Board has determined;

- (D) in the event of the grantee ceasing to be an Executive by reason of transfer of employment to an affiliate company, the share option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its sole and absolute discretion otherwise determines in which event the share option (or such remaining part thereof) shall be exercisable within such period as our Board may determine;
- (E) in the event of the grantee ceasing to be an Executive by reason of the termination of his/her employment by resignation or culpable termination, the share option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his/her employment (in the case of culpable termination) and not be exercisable unless our Board otherwise determines in which event the share option (or such remaining part thereof) shall be exercisable within such period as our Board may in its sole and absolute discretion determine following the date of such service or notification. A resolution of our Board resolving that the Executive's share option has lapsed pursuant to this sub-paragraph shall be final and conclusive;
- (F) if a grantee being an executive Director ceases to be an Executive but remains a non-executive Director, his/her share option (to the extent not already exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its sole and absolute discretion otherwise determines in which event the share option (or such remaining part thereof) shall be exercisable within such period as our Board has determined, the share option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless our Board otherwise determines in which event the share option (or such remaining part thereof) shall be exercisable within such period as our Board may in its sole and absolute discretion determine following the date of such cessation;
- (G) if (i) our Board in its absolute discretion at any time determines that a grantee has ceased to be an Eligible Person; or (ii) a grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the share option or which were the basis on which the share option was granted, the share option (to the extent not already exercised) shall lapse on the date on which the grantee is notified thereof (in the case of (i)) or on the date on which the grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (ii)) and not be exercisable unless our Board otherwise determines in which event the share option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine

following the date of such notification or the date of such failure/non-satisfaction/non-compliance. In the case of (i), a resolution of our Board resolving that the grantee's share option has lapsed pursuant to this subparagraph shall be final and conclusive;

- (H) if a grantee (being a corporation) (i) has a liquidator, provisional liquidator, receiver or any person carrying out any similar function appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee; or (ii) has suspended or ceased or threatened to suspend or cease business; or (iii) is unable to pay its debts (within the meaning of section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any similar provisions under the Cayman Islands Companies Law or any applicable law); or (iv) otherwise becomes insolvent; or (v) suffers a change in its constitution, directors, shareholding or management which in the opinion of our Board is material; or (vi) commits a breach of any contract entered into between the grantee or his/her associate and any member of our Group, the option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or other similar person or on the date of suspension or cessation of business or on the date when the grantee is deemed to be unable to pay its debts as aforesaid or on the date of notification by our Company that the said change in constitution, directors, shareholding or management is material or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the share option (or such remaining part thereof) shall be exercisable within such period as our Board may in its sole and absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's share option has lapsed pursuant to this subparagraph by reason of a breach of contract as aforesaid shall be final and conclusive;
- (I) if a grantee (being an individual) (i) is unable or has no reasonable prospect of being able to pay his/her debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or any other applicable law or has otherwise become insolvent; or (ii) has made any arrangements or compositions with his/her creditors generally; or (iii) has been convicted of any criminal offence involving his/her integrity or honesty; or (iv) commits a breach of any contract entered into between the grantee or his/her associate and any member of our Group, the share option (to the extent not already exercised) shall lapse on the date on which he/she is deemed unable or to have no reasonable prospects of being able to pay his/her debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he/she enters into the said arrangement or composition with his/her creditors or on the date of his/her conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the share option (or such

remaining part thereof) shall be exercisable within such period as our Board may in its sole and absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's share option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;

- (J) if a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the share option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- (K) in the event of an effective resolution being passed for the voluntary winding-up of our Company, and if the grantee immediately prior to such event had any subsisting share option which had not been fully exercised, the grantee may by notice in writing to our Company within one month after the date of such resolution elect to be treated as if the share option had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in such notice and shall accordingly be entitled to receive out of the assets available in the liquidation, *pari passu* with our Shareholders, such sum as would have been received in respect of the Shares the subject of such election reduced by an amount equal to the subscription price which would otherwise have been payable in respect thereof; and
- (L) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantees who have unexercised share options at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his/her legal representatives or receiver) may until the expiry of the earlier of: (i) the option period; (ii) the period of two months from the date of such notice; and (iii) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his/her share option. Except insofar as exercised in accordance with this paragraph (f)(iii)(L), all Share Options outstanding at the expiry of the relevant period referred to in this paragraph (f)(iii)(L) shall lapse. Our Company may thereafter require each grantee to transfer or otherwise deal with the Shares issued on exercise of the share option to place

the grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement, provided that in determining the entitlement of any grantee to exercise a share option at any particular date, our Board may in its sole and absolute discretion relax or waive, in whole or in part, conditionally or unconditionally, any additional conditions, restrictions or limitations imposed in relation to the particular share option pursuant to the provisions of paragraph (d) above and/or deem the right to exercise the share option in respect of the Shares the subject thereof to have been exercisable notwithstanding that according to the terms of the particular share option such right shall not have then vested.

- (iv) The Shares to be allotted upon the exercise of a share option shall be subject to all the provisions of our Memorandum and Articles and the Cayman Islands laws in force from time to time and shall rank *pari passu* in all respects with then existing fully-paid Shares in issue on the allotment date, and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date, other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date. Subject as aforesaid, no grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of a share option pursuant to the Share Option Scheme.
- (v) Our Company is entitled to refuse any exercise of a share option if such exercise is not in accordance with the terms of the Share Option Scheme or the procedures for exercise of share option established by our Company from time to time or if such exercise may cause our Company to contravene or breach any laws, enactment or regulations for the time being in force in Hong Kong and the Cayman Islands or any other applicable jurisdiction or the Listing Rules or any rules governing the listing of the Shares on a stock exchange.

(g) Lapse of share options

A share option in any part thereof shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of the occurrence of any of the following events unless otherwise waived (conditionally or unconditionally) by our Company:

- (i) the expiry of the option period;
- (ii) the expiry of any of the periods referred to in paragraph (f)(iii) above;
- (iii) (subject to paragraph (f)(iii)(K) above) the date of the commencement of the winding-up of our Company;

- (iv) there is an unsatisfied judgement, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts within the meaning of the Bankruptcy Ordinance;
- (v) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in paragraphs (f)(iii)(H), (f)(iii)(I) above or paragraph (g)(iv) above; or
- (vi) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any share option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

(h) Maximum number of Shares

The maximum number of Shares to be issued upon exercise of all share options which may be granted under the Share Option Scheme (and under any other share option schemes) shall not in aggregate exceed 10% of the Shares in issue immediately after completion of the Global Offering and as at the Listing Date (the “**Scheme Mandate Limit**”), provided that our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the scheme mandate limit, except that the maximum number of Shares to be issued upon exercise of all share options which may be granted under the Share Option Scheme (and under any other share option schemes of our Company) shall not exceed 10% of the Shares in issue as at the date of approval by our Shareholders in general meeting where such limit is refreshed. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, and lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes or exercised options under the said schemes of our Company) shall not be counted for the purpose of calculating the limit as refreshed. Our Company shall send a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules to our Shareholders. In addition, our Company may seek separate approval from our Shareholders in general meeting for granting share options beyond the Scheme Mandate Limit, provided that the share options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is sought. Our Company shall issue a circular to our Shareholders containing the information required under Rule 17.03(3) of the Listing Rules.

Notwithstanding the preceding paragraph, the maximum number of Shares to be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme (and under any other share option schemes of our Company) shall not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares issued and to be issued upon exercise of the share options granted to any one Eligible Person (including exercised and outstanding share options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of share options to such Eligible Person would result in the Shares issued and to be issued upon exercise of all share options granted and which may be granted to such Eligible Person (including exercised, cancelled and outstanding Share Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his/her close associates (or his/her associates of such Eligible Person is a connected person) abstaining from voting. The applicable requirements of Rule 17.03(4) of the Listing Rules shall be complied with.

The maximum numbers set out in this paragraph (h) above shall be subject to adjustment in accordance with paragraph (j) below but shall not in any event exceed the limits imposed by Chapter 17 of the Listing Rules.

(i) Maximum number of Shares per grantee who is a core connected person

Each grant of share options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates under the Share Option Scheme shall be approved by independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the share options). Where any grant of share options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the securities issued and to be issued upon exercise of all Share Options already granted and which may be granted (including Share Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of share options must be approved by our Shareholders. Our Company shall send a circular to our Shareholders containing the information required under Rule 17.04 of the Listing Rules. The relevant Eligible Person, his/her associates and all core connected persons of our Company shall abstain from voting at such general meeting. Any vote taken at the meeting to approve the grant of such share options must be taken on a poll.

(j) Cancellation of share options

Our Board shall be entitled for the following causes to cancel any share option in whole or in part by giving notice in writing to the grantee stating that such share option is thereby cancelled with effect from the date specified in such notice (the “**Cancellation Date**”):

- (i) the grantee commits or permits or attempts to commit or permit a breach of paragraphs (c)(iv) or (f)(ii) above or any terms or conditions attached to the grant of the share option;
- (ii) the grantee makes a written request to our Board for, or agrees to, the share option to be cancelled; or
- (iii) if the grantee has, in the opinion of our Board, conducted himself/herself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company and/or any of its subsidiary.

The share option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the share option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case. Where our Company cancels a share option held by a grantee and issues new share options to the same grantee, the issue of such new share options may only be made under the Share Option Scheme with available unissued share options (excluding the cancelled share option) within the limit approved by our Shareholders set out in paragraph (h) above.

(k) Reorganisation of capital structure

In the event of any change in the capital structure of our Company while any share option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of our Company, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (i) the number of Shares subject to outstanding share options;
- (ii) the subscription price of each outstanding share option; and/or
- (iii) the number of Shares subject to the Share Option Scheme.

Where our Board determines that adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors or the independent financial advisors (as our Board may select and determine in its sole and absolute discretion) shall certify in writing to our Board that any such adjustments to be in their opinion fair and reasonable and in compliance with Rule 17.03(13) of the Listing Rules (as amended from time to time) and the notes thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes, provided that:

- (i) the aggregate percentage of the issued share capital of our Company available for the grant of options shall remain as nearly as possible the same as it was before such change but shall not be greater than the maximum number prescribed by the Listing Rules from time to time;
- (ii) any such adjustments shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any share option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event;
- (iii) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and
- (iv) any such adjustments shall, as nearly as practicable, be made on the basis that the proportion of the issued share capital of our Company for which any grantee is entitled to subscribe pursuant to the options held by him/her shall remain the same as (but shall not be greater than) that to which he/she was previously entitled (as interpreted in accordance with the supplementary guidance as amended from time to time).

For the avoidance of doubt only, the issue of securities by our Company and/or its subsidiaries as consideration in a transaction shall not be regarded as a circumstance requiring an adjustment.

The capacity of the auditors or the independent financial advisors (as the case may be) in this paragraph (k) is that of experts and not of arbitrators and their certification or confirmation shall, in the absence of manifest error, be final, conclusive and binding on our Company and the grantees. The costs of the auditors or the independent financial advisors (as the case may be) shall be borne by our Company.

(l) Distributions

Upon distribution by our Company to holders of the Shares of any cash or in specie of assets (other than dividends in the ordinary course) (the “**Distribution**”), our Company may make a downward adjustment to the subscription price of any share option granted but not exercised as at the date of such Distribution by an amount which our Board considers as reflecting the impact such Distribution will have or will likely to have on the trading price of the Shares provided that (i) our Board’s determination of any adjustments shall be final and binding on all grantees; (ii) the amount of adjustment shall not exceed the amount of such Distribution to be made to our Shareholders; (iii) such adjustment shall take effect on or after the date of such Distribution by our Company; (iv) any adjustment provided for in this paragraph (l) shall be cumulative to any other adjustments contemplated under paragraph (k) above or approved by our Shareholders in general meeting; and (v) the adjusted subscription price shall not, in any case, be less than the nominal value of the Shares.

(m) Share capital

The exercise of any share option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company to meet subsisting requirements on the exercise of share options.

(n) Disputes

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares, the subject of a share option, the amount of the subscription price or otherwise) shall be referred to the auditors or the independent financial advisors (as the case may be) for decision, who shall act as experts and not as arbitrators and whose decision shall be final and binding.

(o) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of our Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting:

- (i) any material alteration to its terms and conditions or any change to the terms of options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);
- (ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantees;

(iii) any change to the authority of our Directors in relation to any alteration to the terms of the Share Option Scheme; and

(iv) any alteration to this paragraph (o),

provided always that the amended terms of the share option Scheme shall comply with the applicable requirements of Chapter 17 of the Listing Rules.

(p) Termination

If any of the conditions set out in paragraph (a) above is not satisfied on or before the date following 90 days after the Adoption Date, the Share Option Scheme shall terminate immediately and any share option granted or agreed to be granted pursuant to the Share Option Scheme shall be of no effect and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

Our Shareholders by resolution in general meeting may at any time terminate the operation of the Share Option Scheme. Upon the expiry or termination of the Share Option Scheme as aforesaid, no further share options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All share options granted prior to such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

G. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders entered into the Deed of Indemnity referred to in the paragraph headed “B. Further information about our business – 1. Summary of our material contracts” in this Appendix in favour of our Company for itself and as trustee for each member of our Group to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received, estate duty, as well as any penalties and claims to which any member of our Group may be subject (including but not limited to the penalties and fines arising from the non-compliance incident as detailed in the section headed “Business – Non-compliance” in this prospectus) on or before the Listing Date.

2. Litigation

As at the Latest Practicable Date, save as disclosed in the section headed “Business – Litigation and potential claims” in this prospectus, neither our Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of the Over-allotment Option, the Pre-IPO Share Options or any option which may be granted under the Share Option Scheme.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees are HK\$5,000,000 and are payable by our Company.

4. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Dongxing Securities as its compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

5. Preliminary expenses

Our estimated preliminary expenses are approximately HK\$73,700 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purposes of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

7. Taxation of holders of Shares

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualification of experts

The qualifications of the experts, as defined under the Listing Rules, who have given reports, letters or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
Dongxing Securities (Hong Kong) Company Limited	A corporation licenced to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified public accountants
Ipsos Limited	Industry consultant
Conyers Dill & Pearman	Cayman Islands and BVI attorney-at-law
Mr. Foster H.C. Yim	Barrister-at-law in Hong Kong

9. Consents of experts

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included in this prospectus the form and context in which they are respectively included.

10. Share register

The principal share register of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch share register will be maintained in Hong Kong by Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Unless our Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with, and registered by Tricor Investor Services Limited and may not be lodged in the Cayman Islands.

11. Miscellaneous

Save as disclosed in this prospectus:

- (a) none of our Directors nor any of the parties listed in the paragraph headed "G. Other information – 8. Qualification of experts" in this Appendix has any direct or indirect interest in the promotion of our Company or any of the subsidiaries, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company or any of the subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of the subsidiaries;
- (b) none of our Directors nor any of the parties listed in the paragraph headed "G. Other information – 8. Qualification 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;
- (c) save for the Hong Kong Underwriting Agreement, none of the parties listed in the paragraph headed "G. Other information – 8. Qualification of experts" in this Appendix:
 - (i) is interested legally or beneficially in any of the Shares or any shares in any of the subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities;
- (d) none of the equity and debt securities of our Company or any of our subsidiaries is listed or dealt with in any other stock exchange, or being traded on any trading system, nor is any listing or permission to deal being or proposed to be sought from any other stock exchange;
- (e) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (f) our Company has not issued or agreed to issue any founder shares, management shares or deferred shares;
- (g) our Company has no outstanding convertible debt securities or debentures;
- (h) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (i) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group;
- (j) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring, subscription or agreeing to procure subscription of any Shares in or debentures of our Company;
- (k) there is no arrangement under which future dividends are waived or agreed to be waived;
- (l) the Global Offering does not involve the exercise of any right of pre-emption or the transfer of subscription rights;
- (m) as at the date of this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong;
- (n) our Directors confirm that there has been no material adverse change in our financial or trading position since 31 December 2018; and
- (o) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this prospectus.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

13. Bilingual prospectus

Pursuant to Rule 19.36(5) of the Listing Rules and section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time as each place where this prospectus is distributed by or on behalf of our Company.

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “G. Other information – 9. Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in the paragraph headed “B. Further information about our business – 1. Summary of our material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Eversheds Sutherland at 37/F, One Taikoo Place, Taikoo Place, 979 King’s Road, Quarry Bay, 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 and the Articles;
- (b) the accountant’s report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the three years ended 31 December 2018 and the four months ended 30 April 2019;
- (d) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice from Conyers Dill & Pearman, our Cayman legal advisers, summarising the constitution of our Company and certain aspects of the Cayman Islands Companies Law referred to in Appendix III to this prospectus;
- (f) the Ipsos Report;
- (g) the legal opinion prepared by the Legal Counsel referred to in the section headed “Business – Non-compliance” in this prospectus;
- (h) the Cayman Islands Companies Law;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
 COMPANIES AND AVAILABLE FOR INSPECTION**

- (i) the material contracts referred to in the paragraph headed “B. Further information about our business – 1. Summary of our material contracts” in Appendix IV to this prospectus;
- (j) the service contracts and letters of appointment referred to in the paragraph headed “D. Further information about our Directors – 1. Directors’ service contracts” in Appendix IV to this prospectus;
- (k) the written consents referred to in the paragraph headed “G. Other information – 9. Consents of experts” in Appendix IV to this prospectus;
- (l) the rules of the Pre-IPO Share Option Scheme; and
- (m) the rules of the Share Option Scheme.



ACME

Acme International Holdings Limited
益美國際控股有限公司