Post Hearing Information Pack of

HUARCHI GLOBAL GROUP HOLDINGS LIMITED
華記環球集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

WARNING

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

This Post Hearing Information Pack is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with Huarchi Global Group Holdings Limited (the "**Company**"), its sponsor, advisers or members of the underwriting syndicate that:

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

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

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

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

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

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

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

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

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

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

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

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

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

Huarchi Global Group Holdings Limited
華記環球集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation and [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**[REDACTED]**

Sponsor

AmCap

Ample Capital Limited

豐盛融資有限公司

[REDACTED]

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 document, 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 document.

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

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this document, including risk factors set out in the section headed "Risk Factors" in this document. Pursuant to the [**REDACTED**], the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) have the right in certain circumstances to terminate the obligations of the [**REDACTED**] pursuant to the [**REDACTED**] at any time prior to 8:00 a.m. (Hong Kong time) on the [**REDACTED**]. Further details of such circumstances are set out in the section headed "[**REDACTED**] – [**REDACTED**] arrangements and expenses – [**REDACTED**] – Grounds for termination" in this document.

No action has been taken to permit an offering of the [**REDACTED**] or the distribution of this document in any jurisdiction other than in Hong Kong. Accordingly, this document or the [**REDACTED**] may not be used for the purpose of, and does not (and is not intended to) constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this document or the [**REDACTED**] and the offering of the [**REDACTED**] in other jurisdictions may be restricted by law and therefore persons who possess this document or any of the [**REDACTED**] should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

[**REDACTED**]

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

CONTENTS

This document is issued by our Company solely in connection with the [**REDACTED**] *and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the* [**REDACTED**] *offered by this document pursuant to the* [**REDACTED**]. *This document may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a* [**REDACTED**] *of the* [**REDACTED**] *in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the offering and sale of the* [**REDACTED**] *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 document and the [**REDACTED**] *to make your investment decision. Our Company, the Sponsor, the* [**REDACTED**], *the* [**REDACTED**], *the Co-*[**REDACTED**] *and the* [**REDACTED**] *have not authorised any persons to provide you with information that is different from what is contained in this document. Any information or representation not contained or made in this document must not be relied on by you as having been authorised by our Company, the Sponsor, the* [**REDACTED**], *the* [**REDACTED**], *the Co-*[**REDACTED**], *the* [**REDACTED**], *any of their respective directors, affiliates, employees or representatives or any other person or party involved in the* [**REDACTED**]. *The contents on our Company's website* ***www.huarchi.com*** *do not form part of this document.*

Page

CONTENTS

This summary and highlights aim to give you an overview of the information contained in this document and should be read in conjunction with the full text of this document. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole document, including our financial statements and the accompanying notes, before you decide to invest in the [**REDACTED**].

There are risks associated with any investment. Some of the particular risks of investing in the [**REDACTED**] *are set forth in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* [**REDACTED**]. *Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this document, respectively*

OVERVIEW

We are one of the leading fitting-out contractors in Macau. According to the Frost & Sullivan Report, our Group was the second largest fitting-out contractor in Macau with approximately 4.4% market share in 2018 in terms of revenue. Meanwhile, our Group accounts for 0.5% in the Macau building construction market in terms of revenue and was unranked among the building construction contractors in Macau in 2018. Our Group provides services of (i) fitting-out; (ii) construction; and (iii) repair and maintenance in Macau. For the years ended 31 December 2016, 2017 and 2018, our Group's total revenue amounted to approximately MOP175.2 million, MOP322.7 million and MOP400.1 million, respectively. For the four months ended 30 April 2018 and 2019, our Group's total revenue amounted to approximately MOP104.7 million and MOP158.8 million, respectively. The following table sets forth a breakdown of our Group's revenue during the Track Record Period by business segments:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	MOP'000	%	*MOP'000*	%	*MOP'000*	%	*MOP'000* *(unaudited)*	%	*MOP'000*	%
Fitting-out	166,803	95.2	297,318	92.1	392,700	98.2	104,379	99.7	158,016	99.4
Construction	7,696	4.4	24,696	7.7	5,662	1.4	–	–	795	0.5
Repair and maintenance	717	0.4	710	0.2	1,723	0.4	302	0.3	29	0.1
Total revenue	175,216	100.0	322,724	100.0	400,085	100.0	104,681	100.0	158,840	100.0

During the Track Record Period, all of our Group's revenue was derived in Macau and our Group undertook projects from both private and public sectors. The following table sets forth a breakdown of our Group's revenue during the Track Record Period attributable to private and public sectors:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	MOP'000	%	*MOP'000*	%	*MOP'000*	%	*MOP'000* *(unaudited)*	%	*MOP'000*	%
Public sector	98,401	56.2	159,600	49.5	77,137	19.3	18,895	18.1	24,176	15.2
Private sector	76,815	43.8	163,124	50.5	322,948	80.7	85,786	81.9	134,664	84.8
Total revenue	175,216	100.0	322,724	100.0	400,085	100.0	104,681	100.0	158,840	100.0

Our Group undertook projects as both main contractor and subcontractor during the Track Record Period. The table below sets forth a breakdown of our Group's revenue during the Track Record Period as main contractor and subcontractor:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	MOP'000	%	*MOP'000*	%	*MOP'000*	%	*MOP'000* *(unaudited)*	%	*MOP'000*	%
Main contractor	101,118	57.7	164,739	51.0	75,938	19.0	18,259	17.4	25,942	16.3
Subcontractor	74,098	42.3	157,985	49.0	324,147	81.0	86,422	82.6	132,898	83.7
Total revenue	175,216	100.0	322,724	100.0	400,085	100.0	104,681	100.0	158,840	100.0

Our Group recognised revenue derived from provision of fitting-out, construction and repair and maintenance services either (i) over time by input or output method, which accounted for over 99% of our revenue during the Track Record Period; or (ii) at a point in time. Please refer to the section headed "Financial Information – Principal components of consolidated statements of profit or loss and other comprehensive income" in this document for further details.

Our Group provides fitting-out works for both new buildings and existing buildings in Macau. A fitting-out project involves shop drawing, procurement of materials, execution of fitting-out works, site supervision, management of subcontractors and overall project management. Types of works of a fitting-out project may include stone works, carpentry and joinery works, floor carpeting, decorative lighting suspended ceilings, plastering works, steel and metal works, installation of sanitary fittings and wares, fittings, fixture and equipment, glazing works, painting works, wall papering, as well as other associated works. During the Track Record Period, our customers of this segment included private and public sector customers.

A construction project involves building construction works including foundation works, and buildings services systems installation. Our Group is also responsible for structural calculation and shop drawing, procurement of materials, site supervision, management of subcontractors and overall project management. Our Group generally subcontracts site works to other subcontractors, including but not limited to, foundation works and building services systems installation. During the Track Record Period, our customers of this segment included private and public sector customers.

Our Group also provides repair and maintenance works for existing properties in Macau on (i) as-needed basis; and (ii) regularly over a fixed period. Repair and maintenance works provided by our Group include repair or replacement of interior decorative parts, as well as other works for building services systems such as installation of CCTV systems and air-conditioning systems. During the Track Record Period, our customers of this segment were mainly public sector customers.

During the Track Record Period, the ten largest projects in terms of contract sum undertaken by us were all completed projects, of which the details are set forth as below:

Project number	**Location of project**	**Type of projects**	**Type of works**	**Project period** *(Note 1)*	**Contract sum** *(approximate MOP million) (Note 2)*
13	Coloane	Private	Fitting-out	June 2017 – February 2019	175.6
19	Cotai	Private	Fitting-out	August 2018 – February 2019	88.0
7	Macau Peninsula	Private	Fitting-out	July 2016 – April 2018	64.7
4/JT4 *(Note 3)*	Macau Peninsula	Public	Fitting-out	December 2014 – November 2016	62.5
21	Taipa	Private	Fitting-out	February 2019 – August 2019	55.6
2	Macau Peninsula	Private	Fitting-out	October 2014 – October 2017	50.0
20	Macau Peninsula	Private	Filling-out	March 2019 – May 2019	49.0
12	Taipa	Public	Fitting-out	June 2017 – April 2018	48.4
15	Taipa	Public	Fitting-out	February 2018 – February 2019	25.2
6	Taipa	Public	Construction	January 2016 – August 2018	24.1

Notes:

(1) The project period covers the duration of our works with reference to commencement date and the completion date of the relevant project set out in the letter of award or in first invoice from subcontractor or in letter of commencement or in the payment certificate confirmed by our customer or their authorised persons, or with reference to the practical completion certificate issued by the relevant project architect or certificates of completion issued by our customers or confirmation issued by our customers.

(2) Contract sum refers to the original awarded contract sum excluding all variation orders issued by our customers.

(3) Our Group assumed the role of contractor-in-charge in this project under the relevant joint-tender arrangement. For details of our joint-tender arrangements during the Track Record Period, please refer to the section headed "Business – Our operation flow – Tender/quotation process" in this document.

The table below sets forth the backlog of our Group's projects that are yet to reach practical completion as at the Latest Practicable Date:

By business segments:	**Number of contracts**	**Contract sum**	**Backlog value as at the Latest Practicable Date**	**Estimated revenue to be recognised for the year ending 31 December 2019**
		(approximate MOP'000)	*(approximate MOP'000)*	*(approximate MOP'000) (note)*
Fitting-out	37	426,093	316,964	250,742
Construction	2	22,478	22,478	9,800
Repair and maintenance	7	442	442	384
Total	46	449,013	339,884	260,926

Note: It represents our best estimation based on factors including the date specified in the relevant contracts and internal historical statistics data of revenue recognising.

The following tables set out the backlog as at the dates indicated:

	Year ended 31 December			**Four months ended 30 April**	**Up to the Latest Practicable Date**
	2016	**2017**	**2018**	**2019**	**Date**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Opening value of backlog	156,240	212,096	206,626	167,170	392,725
Add: Net value of new contracts[(1)]	231,072	317,254	360,629	384,395	73,246
Less: Revenue recognised[(2)]	175,216	322,724	400,085	158,840	126,087
Closing value of backlog[(3)]	212,096	206,626	167,170	392,725	339,884

Notes:

(1) "Net value of new contracts" means the total contract value of the contracts which were awarded to us together with the additional amount(s) under the variation order(s) during the relevant year indicated for that particular business stream.

(2) "Revenue recognised" means the revenue for the contracts that has been recognised during the relevant year indicated for that particular business stream.

(3) "Closing value of backlog" means the total contract value for the remaining work of the contracts before the percentage of completion reaches 100% as at the end of the relevant year indicated for that particular business stream.

OUR OPERATION FLOW

We have developed a comprehensive project management system in respect of our business operations involving stages including (i) identification of projects; (ii) tender/quotation process; (iii) project implementation; and (iv) project completion, which is subsequently followed by a defect liability period of 12 to 60 months. For further details of our operation flow, please refer to the section headed "Business – Our operation flow" in this document.

CUSTOMERS

Our Group's customers primarily include the Macau Government, other statutory bodies and main contractors. During the Track Record Period, all of our Group's customers are located in Macau and all of our Group's service fees are denominated in MOP.

For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, revenue attributable to our Group's largest customer amounted to approximately 26.3%, 23.2%, 51.6% and 62.1% of our Group's total revenue, respectively, while revenue attributable to our Group's five largest customers, in aggregate, amounted to approximately 74.3%, 78.2%, 91.3 and 87.1% of our Group's total revenue, respectively.

SUPPLIERS

Our Group's suppliers mainly include suppliers for materials to be consumed in its fitting-out projects and construction projects, such as cement, sand, rocks and marble, etc., and to a lesser extent machines and equipment leasing services. During the Track Record Period, a majority of our Group's suppliers are located in Macau, and most of the purchases orders placed by our Group are denominated in MOP.

For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, purchases attributable to our Group's largest supplier amounted to approximately 33.2%, 46.0%, 24.1% and 14.9% of our Group's total material costs, respectively, while total material costs attributable to our Group's five largest suppliers, in aggregate, amounted to approximately 57.7%, 65.3%, 69.9% and 54.3% of its total purchases, respectively.

SUBCONTRACTORS

Our Group may subcontract certain activities in a project to other subcontractors depending on its internal resources level, nature of the works, complexity of the project and cost effectiveness. During the Track Record Period, our Group's subcontracted works mainly include demolition works, foundation and structural works, fitting-out works and building services systems installation. During the Track Record Period, all of our Group's subcontractors are based in Macau, and most of our Group's subcontracting agreements are denominated in MOP.

For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, subcontracting fees paid to our Group's largest subcontractor amounted to approximately 22.7%, 10.4%, 33.9% and 41.5% of our Group's total subcontracting fees, respectively, while subcontracting fees paid to our Group's five largest subcontractors, in aggregate, amounted to approximately 62.5%, 34.8%, 73.2% and 52.8% of its total subcontracting fees, respectively.

MARKET AND OUR COMPETITIVE STRENGTHS

According to the Frost & Sullivan Report, the revenue generated from fitting-out market in Macau increased at a CAGR of approximately 23.5% from 2013 to 2018. The fitting-out market in Macau is estimated to have a moderate growth at a CAGR of approximately 8.5% over the period from 2019 to 2023. In 2018, our Group was the second largest fitting-out contractor in Macau in terms of revenue, with approximately 4.4% market share. In terms of revenue, the top five contractors collectively held approximately 26.9% of market share in 2018. For further details of our market and competition facing us, please refer to the section headed "Business – Market and competition" in this document. We believe our competitive strengths include, among others, the following: (i) well-established reputation with proven track record in the fitting-out and construction industry in Macau; and (ii) strong customers' portfolio in public sector which enabled our Group to develop its presence in the private sector. For further details of our competitive strengths, please refer to the section headed "Business – Competitive strengths" in this document.

BUSINESS STRATEGIES

We aim to further strengthen our position and overall competitiveness of our fitting-out, construction, and repair and maintenance businesses and increase our market share in Macau by adopting the following key business strategies: (i) to strengthen our Group's financial capabilities to undertake more new and larger scale fitting-out and construction projects; and (ii) to improve the capacity, capabilities and cost efficiency of our Group. For further details of our business strategies, please refer to the section headed "Business – Business strategies" in this document.

USE OF [REDACTED]

Our Group intends to apply the net [**REDACTED**] to us from the [**REDACTED**], after deducting related [**REDACTED**] fees and other estimated expenses in connection with the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised at all and an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the [**REDACTED**] range, of approximately HK$[**REDACTED**] as follows:

- approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]), representing approximately [**REDACTED**]% of the net [**REDACTED**] will be used to finance our fitting-out and construction projects in Macau;
- approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]), representing approximately [**REDACTED**]% of the net [**REDACTED**] will be used to increase our workforce; and
- approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]), representing approximately [**REDACTED**]% of the net [**REDACTED**] will be used to purchase machinery and equipment.

For further details of our use of the [**REDACTED**] from the [**REDACTED**], please refer to the section head "Future Plans and Use of [**REDACTED**]" in this document.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following summary of financial information of our Group for the Track Record Period should be read in conjunction with the financial information included in the Accountants' Report set forth in Appendix I and the section headed "Financial Information" in this document.

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

	Year ended 31 December			**Four months ended 30 April**	
	2016	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Revenue	175,216	322,724	400,085	104,681	158,840
Gross profit	53,259	78,584	79,616	26,806	33,774
Profit for the year/period	25,366	49,677	48,442	15,923	23,740
Profit attributable to equity shareholders of our Group	24,906	49,677	48,442	15,923	23,740

The revenue increased by approximately 84.2% from approximately MOP175.2 million for the year ended 31 December 2016 to approximately MOP322.7 million for the year ended 31 December 2017, which was mainly attributable to four public sector projects and three private sector projects, of which a more significant proportion of revenues was recognised for the year ended 31 December 2017 as compared to the year ended 31 December 2016.

The revenue increased by approximately 24.0% from approximately MOP322.7 million for the year ended 31 December 2017 to approximately MOP400.1 million for the year ended 31 December 2018, which was mainly attributable to a private sector project, of which a more significant proportion of revenues was recognised for the year ended 31 December 2018 as compared to the year ended 31 December 2017.

The revenue increased by approximately 51.7% from approximately MOP104.7 million for the four months ended 30 April 2018 to approximately MOP158.8 million for the four months ended 30 April 2019, which was mainly attributable to a significant private sector project undertaken by us during the four months ended 30 April 2019, of which its revenue accounted for approximately 31.5% of our total revenue derived from fitting-out works for the same period. No revenues of this project were recognised for the four months ended 30 April 2018.

The gross profit increased by approximately 47.6% from approximately MOP53.3 million for the year ended 31 December 2016 to approximately MOP78.6 million for the year ended 31 December 2017, and further increased by approximately 1.3% to approximately MOP79.6 million for the year ended 31 December 2018. And the gross profit increased by approximately 26.0% from approximately MOP26.8 million for the four months ended 30 April 2018 to approximately MOP33.7 million for the four months ended 30 April 2019. Such increasing trend in gross profit was in line with the increase in revenue throughout the Track Record Period.

The increase in net profit for the year ended 31 December 2017 and for the four months ended 30 April 2019 was mainly attributable to the increase in the gross profit for the corresponding year/period. The decrease in net profit for the year ended 31 December 2018 was mainly attributable to the increase in [**REDACTED**] expenses.

For further details of the fluctuations in revenues, gross profit and profit for the year/period during the Track Record Period, please refer to the section headed "Financial Information – Principal components of consolidated statements of profit or loss and other comprehensive income" in this document.

Summary of breakdown of gross profit and gross profit margin of the Group by (i) type of works, (ii) type of buildings, and (iii) sector

	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
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000* (unaudited)	*%*	*MOP'000*	*%*
By type of works										
Fitting-out	50,781	30.4	71,378	24.0	77,588	19.8	26,703	25.6	33,656	21.3
Construction	2,158	28.0	6,689	27.1	1,103	19.5	–	–	97	12.2
Repair and maintenance	320	44.6	517	72.8	925	53.7	103	34.1	21	72.4
Total/overall	53,259	30.4	78,584	24.4	79,616	19.9	26,806	25.6	33,774	21.3
By type of buildings										
Residential buildings	21,861	35.9	48,817	29.0	41,833	22.0	24,444	26.3	715	9.5
Non-residential buildings	31,398	27.5	29,767	19.3	37,783	18.0	2,362	20.4	33,059	21.9
Total/overall	53,259	30.4	78,584	24.4	79,616	19.9	26,806	25.6	33,774	21.3
By sector										
Public sector	29,793	30.3	28,724	18.0	8,701	11.3	3,526	18.7	3,097	12.8
Private sector	23,466	30.5	49,860	30.6	70,915	22.0	23,280	27.1	30,677	22.8
Total/overall	53,259	30.4	78,584	24.4	79,616	19.9	26,806	25.6	33,774	21.3

For the three years ended 31 December 2018, our overall gross profit margin showed a decreasing trend which was mainly attributable to some projects of which the gross profit margin was heavily influenced by project-specific factors and/or one-off events. After excluding the financial impact of those projects, the gross profit margin for public sector projects remained flat ranging from approximately 13.7% to 14.5%, while the gross profit margin for private sector projects also remained flat ranging from approximately 25.9% to 27.8%.

For details of material projects of which the gross profit margin was heavily influenced by project-specific factors and/or one-off events as mentioned above, please refer to page 204 of the section headed "Financial Information – Principal components of consolidated statements of profit or loss and other comprehensive income – Gross profit and gross profit margin" in this document.

Summary of consolidated statements of financial position

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Total non-current assets	1,757	141	1,093	1,116
Total current assets	268,270	277,037	228,606	292,597
Total assets	270,027	277,178	229,699	293,713
Total current liabilities	(170,600)	(178,071)	(142,340)	(182,648)
Net current assets	97,670	98,966	86,266	109,949
Net assets	99,427	99,107	87,325	111,065

The net assets decreased from approximately MOP99.1 million as at 31 December 2017 to approximately MOP87.3 million as at 31 December 2018. Such decrease was in line with the decrease in net current assets which was attributed to (i) the decrease in bank balances and cash of approximately MOP37.8 million; (ii) the decrease in amounts due from controlling shareholders of approximately MOP30.1 million; and (iii) the decrease in contract assets of approximately MOP20.9 million, and partially offset by (i) the increase in trade and other receivables of approximately MOP37.4 million; (ii) the decrease in bank overdrafts of approximately MOP14.2 million; and (iii) the decrease in contract liabilities of approximately MOP13.3 million. Such decrease in net assets was also attributed to the dividend distribution during the year ended 31 December 2018.

The net assets increased from approximately MOP87.3 million as at 31 December 2018 to approximately MOP111.0 million as at 30 April 2019. Such increase was in line with the increase in net current assets which was attributed to (i) the increase in contract assets of approximately MOP46.0 million; and (ii) the increase in pledged bank deposits of approximately MOP17.4 million, and partially offset by (i) the increase in trade and other payables of approximately MOP22.9 million; and (ii) the increase in contract liabilities of approximately MOP13.9 million.

Summary of consolidated statements of cash flows

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* *(unaudited)*	*MOP'000*
Net cash generated from operating activities	29,509	15,230	16,472	28,246	14,013
Net cash (used in)/generated from investing activities	(134)	46,713	27,618	(4,366)	(17,570)
Net cash used in financing activities	(45,082)	(25,926)	(81,905)	(69,988)	(1,061)
Net (decrease)/increase in cash and cash equivalents	(15,707)	36,017	(37,815)	(46,108)	(4,618)
Cash and cash equivalents at the beginning of the year/period	33,228	17,521	53,538	53,538	15,723
Cash and cash equivalents at the end of the year/period	17,521	53,538	15,723	7,430	11,105

Our cash inflow from operating activities is primarily generated from the provision of fitting-out and construction works. Our cash outflow for operating activities is primarily related to the payment of subcontracting fees, staff costs, material costs and administrative and other expenses. Our cash flow from operating activities is affected by a number of factors, which include the progress of our projects and the timing difference between the settlement of our project fees receivable from our customers and payments of subcontracting fees.

KEY FINANCIAL RATIOS

	At/for the year ended 31 December			At/for the four months ended 30 April
	2016	2017	2018	2019
Current and quick ratio	1.6 times	1.6 times	1.6 times	1.6 times
Gearing ratio *(Note)*	91.6%	70.8%	61.0%	47.8%
Net debt to equity ratio	73.9%	16.8%	43.0%	37.8%
Interest coverage	12.4 times	12.2 times	19.8 times	31.0 times
Return on assets	9.4%	17.9%	21.1%	8.1%
Return on equity	25.5%	50.1%	55.5%	21.4%

Note: Gearing ratio is calculated as total debt divided by total equity as at the respective year/period end.

RECENT DEVELOPMENT

Our business model and cost structure remain largely unchanged subsequent to the Track Record Period. Subsequent to the Track Record Period and up to the date of this document, we continued to be a contractor for fitting-out, construction and repair and maintenance works in Macau and submitted 28 tenders/quotations for new projects with contract value amounted to approximately MOP778.7 million. As at the date of this document, we had 31 fitting-out projects, five repair and maintenance project, and two construction projects in progress or awarded to us but yet to commence. As at the date of this document, our Directors are of the view that all existing projects on hand have continued to contribute revenue to our Group and none of them has had any material interruption.

Our Directors consider that our Group is well-positioned and well-equipped to take on additional projects and believe that the emphasis of Government policy on housing and infrastructure projects would favour the growth of our Group and the demand of our services.

Save for (i) the professional fees of approximately HK$11.7 million (equivalent to approximately MOP12.1 million) in connection with the [**REDACTED**], which will be recorded in our consolidated statements of profit or loss and other comprehensive income for the remaining year ending 31 December 2019; and (ii) the expected increase in staff costs partly due to the recruitment of additional staff in accordance with our future plan, our Directors confirm that there has been no material adverse change in the operation, financial position, or prospects of our Group since 30 April 2019 (being the date to which the latest audited consolidated financial statements of our Group were prepared) and up to the date of this document, and there is no event since 30 April 2019 and up to the date of this document which would materially affect the information shown in the Accountant's Report set out in Appendix I to this document.

Based on our Group's unaudited consolidated financial results for the four months ended 31 August 2019, the unaudited monthly average revenue for the four months ended 31 August 2019 was lower than the monthly average revenue for the year ended 31 December 2018 because some works were pending to be certified and were expected to be recognised subsequent to 31 August 2019.

STATISTICS OF THE [REDACTED]

[**REDACTED**]

CONTROLLING SHAREHOLDERS

Immediately upon completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options to be granted under the Share Option Scheme), Seong Wa will directly control approximately [**REDACTED**]% of the voting rights at general meetings of our Company. Seong Wa is legally and beneficially owned as to 40% by Mr. Lou, 20% by Mr. Chang, 20% by Mr. Ao and 20% by Mr. Leong respectively. As Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong have decided to restrict their ability to exercise direct control over our Company by holding their interests through Seong Wa, they will (together with Seong Wa) be deemed as a group of the Controlling Shareholders by the Stock Exchange under the Listing Rules. For further details of our Controlling Shareholders, please refer to the section headed "Relationship with our Controlling Shareholders" in this document.

PRE-[REDACTED] INVESTMENTS

Ace Hope and Talent Leap are the pre-[**REDACTED**] investors of our Company. Immediately upon completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options to be granted under the Share Option Scheme), each of Ace Hope and Talent Leap will hold approximately [**REDACTED**]% of the total issued share capital of our Company. Ace Hope and Talent Leap are wholly owned by Ms. Chen Qingling and Ms. Wong Yat Tze respectively, both Independent Third Parties. For further details of such investments, please refer to the section headed "History, Reorganisation and Group Structure – Pre-[**REDACTED**] Investments" in this document.

[REDACTED] EXPENSES

Based on the [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the [**REDACTED**] range between HK$[**REDACTED**] and HK$[**REDACTED**] per Share, our Group expects that the total amount of expenses in relation to the [**REDACTED**] is approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]). Of such amount, approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]) is expected to be accounted for as a deduction from our equity upon [**REDACTED**]. The remaining amount of approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]) is expected to be charged to our profit and loss accounts, of which approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**], HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]), HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]) and HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]) were charged for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively, and approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]) is expected to be charged during the remaining year ending 31 December 2019. The actual amount may differ from this estimate.

DIVIDENDS

During the year ended 31 December 2017, AD&C and Q.F. Stone declared and settled dividends of MOP50.0 million to their then shareholders. During the year ended 31 December 2018, AD&C, Huarchi Global and Q.F. Stone declared and settled dividends of MOP80.0 million to their then shareholders, out of which approximately MOP34.0 million was subsequently used to settle the amount due from our Directors.

For further details of our dividends, please refer to the section headed "Financial Information – Dividends" in this document.

KEY RISK FACTORS

We believe there are certain risks involved in our business and operation. Some of the major risks include: (i) our business is project-based, and our profit margin may fluctuate; (ii) our Group's top five customers accounted for a major portion of our Group's revenue; (iii) failure to make accurate estimation for submitting tenders or quotations for new projects could materially affect our Group's profitability; (iv) inability of our subcontractors to secure a stable supply of labour at affordable wages may materially affect our Group's operations and financial performance; and (v) failure to receive progress payments on time and in full, or that retention money is not fully released to our Group after expiry of the defects liability period may affect our Group's liquidity position.

For further details of the risks relating to our business and operations, please refer to the section headed "Risk Factors" in this document.

NON-COMPLIANCE AND LITIGATION

During the Track Record Period, our Group was involved in certain non-compliance incidents in relation to: (i) failure to comply with occupational hygiene and safety regulations; and (ii) failure to comply with tax regulations in respect of late filing of complementary tax returns. For further details of such non-compliance matters, please refer to the section headed "Business – Non-compliance" in this document.

During the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance. The claims as well as pending or threatened claims known to our Directors that were against our Group during the Track Record Period and up to the Latest Practicable Date were generally related to the work accidents arising out of the ordinary course of our business. Our Directors are of the view that none of such claims would have material impact on our business, results of operations or financial condition. For further details of the litigation, please refer to the section headed "Business – Litigation" in this document.

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this document.

"Accountants' Report"	the accountants' report set out in Appendix I to this document
"Ace Hope"	Ace Hope Investments Limited (領希投資有限公司), a company incorporated in the BVI on 2 August 2017 limited by shares
"AD&C"	AD & C Engineering & Construction Company Limited (in Portuguese, AD & C Engenharia e Construções Companhia Limitada and in Chinese, 華聯創基建築工程有限公司), a private limited liability company by quotas incorporated in Macau on 11 November 2003
"Ample Capital" or "Sponsor"	Ample Capital Limited, a licensed corporation to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the sponsor to the [**REDACTED**]

[**REDACTED**]

"Articles" or "Articles of Association"	the amended and restated articles of association of our Company adopted on 24 October 2019 and as amended from time to time, a summary of which is set out in Appendix III to this document
"associate(s)"	has the meaning ascribed thereto it under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Board" or "Board of Directors"	the board of Directors of our Company
"business day"	any day (other than a Saturday, and Sunday or public holidays in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

DEFINITIONS

"BVI"	the British Virgin Islands
"CAEU"	Architecture, Engineering and Urban Planning Council of Macau (in Portuguese, Conselho de Arquitectura, Engenharia e Urbanismo da Região Administrativa Especial de Macau and in Chinese, 澳門特別行政區建築、工程及城市規劃專業委員會)
[**REDACTED**]	the allotment and issue of Shares to our Shareholders on the [**REDACTED**] upon capitalisation of an amount of HK$[**REDACTED**] standing to the credit of the share premium account of our Company, details of which are set out in the paragraph headed "A. Further information about our Company – 3. Written resolutions of our Shareholders" in Appendix IV to this document
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person permitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participants"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"close associate(s)"	has the meaning ascribed to it under the Listing Rules

[**REDACTED**]

"Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Company" or "our Company"	Huarchi Global Group Holdings Limited (華記環球集團控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 20 June 2017 under the Companies Law of the Cayman Islands
"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 case of our Company, means Mr. Lou, Mr. Chang, Mr. Ao, Mr. Leong and Seong Wa either individually or as a group of persons where the context requires
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Deed of Indemnity"	the deed of indemnity dated 24 October 2019 executed by the Controlling Shareholders in favour of our Company (for itself and as trustee for each member of our Group) regarding certain indemnities as more particularly set out in the paragraph headed "E. Other information – 1. Tax and other indemnities" in Appendix IV to this document
"Deed of Non-competition"	the deed of non-competition dated 24 October 2019 executed by the Controlling Shareholders in favour of our Company (for itself and as trustee for each member of our Group) regarding the non-competition matters as set out in the section headed "Relationship with Our Controlling Shareholders" in this document

"Director(s)" or "our Director(s")	the director(s) of our Company
"DSAL"	Labour Affairs Bureau of Macau (in Portuguese, Direcção dos Serviços para os Assuntos Laborais da Região Administrativa Especial de Macau and in Chinese, 澳門特別行政區勞工事務局)
"DSSOPT"	Land, Public Works and Transport Bureau of Macau (in Portuguese, the Direcção dos Serviços de Solos, Obras Públicas e Transportes da Região Administrativa Especial de Macau and in Chinese, 澳門特別行政區土地工務運輸局)
"electronic application instruction(s)"	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the [**REDACTED**]
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"F.J.G."	F.J.G. Engineering & Construction Company Limited (in Portuguese, F.J.G. Engenharia e Construções Companhia Limitada and in Chinese, 富域尚紀建築設計工程有限公司), a private limited liability company by quotas incorporated in Macau which was owned by S.J. Construction and Fullway in equal quotas prior to its dissolution on 16 March 2016
"Frost & Sullivan"	Frost & Sullivan Limited, a market research and consulting company commissioned by our Company to prepare the Frost & Sullivan Report which is an Independent Third Party
"Frost & Sullivan Report"	an independent market research report commissioned by our Company and prepared by Frost & Sullivan on market landscape and competitive analysis of the Macau fitting-out and construction industries, a summary of which is set out in the section headed "Industry Overview" in this document

"Fullway"	Fullway Engineering (Macau) Co. Ltd. (in Portuguese, Companhia de Engenharia Fullway (Macau) Lda. and in Chinese, 富域工程(澳門)有限公司), a private limited liability company by quotas incorporated in Macau on 4 August 2003

[**REDACTED**]

"Group" or "our Group" or "we", or "us"	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries and the businesses operated by such subsidiaries or their predecessors (as the case may be)
"HK$" or "HKD" and "cent(s)"	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong

[**REDACTED**]

"HKAS"	Hong Kong Accounting Standard
"HKFRS(s)"	Hong Kong Financial Reporting Standard(s) issued by HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong", "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Branch Share Registrar"	[**REDACTED**]
"Huarchi Global"	Huarchi Global Construction Corporation Limited (in Portuguese, Sociedade de Construção Huarchi Global, S.A. and in Chinese, 華記環球建築股份有限公司), a public company by shares incorporated in Macau on 10 June 2014
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive or Substantial Shareholders of our Company or our Company, its subsidiaries or any of their respective associates and not otherwise a connected person of our Company

[**REDACTED**]

"Issue Mandate"	the general unconditional mandate given to our Directors by our Shareholders relating to the allotment and issue of new Shares, particulars of which are set out in the paragraph headed "A. Further information about our Company – 3. Written resolutions of our Shareholders" in Appendix IV to this document

[**REDACTED**]

"Kwan Fung"	HGC-KWAN FUNG Limited, a company incorporated in the BVI on 21 June 2017 limited by shares
"Latest Practicable Date"	23 October 2019, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information in this document prior to its publication

[**REDACTED**]

"Listing Committee"	the Listing Committee of the Stock Exchange

[**REDACTED**]

"Listing Division"	the Listing Division of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Macau Government"	the government of Macau
"Macau Legal Adviser"	Rato, Ling, Lei & Cortés – Advogados, the legal adviser to our Company as to Macau law
"Main Board"	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operating in parallel with the GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company adopted on 24 October 2019 and as amended from time to time, a summary of which is set out in Appendix III to this document
"MOP" or "Pataca"	Macau Pataca, the lawful currency of Macau
"Mr. Ao"	Mr. Ao Weng Kong (歐穎剛), an executive Director and one of the Controlling Shareholders of our Company
"Mr. Chang"	Mr. Chang Wa Ieong (曾華壤), an executive Director and one of the Controlling Shareholders of our Company
"Mr. Leong"	Mr. Leong Ka In (梁家賢), an executive Director and one of the Controlling Shareholders of our Company
"Mr. Lou"	Mr. Lou Cheok Meng (盧卓明), an executive Director and one of the Controlling Shareholders of our Company
"Nomination Committee"	the nomination committee of the Board

[**REDACTED**]

"PRC" or "China"	the People's Republic of China, for the purpose of this document and for geographical reference only and except where the context requires, excluding Hong Kong, Macau and Taiwan

[**REDACTED**]

"Q.F. Stone"	Q.F. Stone Decoration Engineering (Macau) Company Ltd. (in Portuguese, Sociedade de Materiais de Pedra e Obras de Decoração Q.F. (Macau), Limitada and in Chinese, 群豐石材裝飾工程(澳門)有限公司), a private limited liability company by quotas incorporated in Macauon 13 February 2008
"Relevant Jurisdictions"	has the meaning as it is defined in the section headed "[**REDACTED**]" in this document
"Relevant Securities"	has the meaning as it is defined in the section headed "[**REDACTED**]" in this document
"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the corporate reorganisation arrangements implemented by our Group in preparation for the [**REDACTED**] which is more particularly described in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this document
"Repurchase Mandate"	the general unconditional mandate given to our Directors by our Shareholders relating to the repurchase of Shares, particulars of which are set out in the paragraph headed "A. Further information about our Company – 3. Written resolutions of our Shareholders" in Appendix IV to this document
"Seong Wa"	Seong Wa Holdings Limited (尚華控股有限公司), a company incorporated in the BVI on 15 June 2017 limited by shares
"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, modified and supplemented from time to time
"Sheung Kee"	HGC-SHEUNG KEE Limited, a company incorporated in the BVI on 21 June 2017 limited by shares

"S.J. Construction"	S.J. Construction Design Engineering Company Ltd. (in Portuguese, Sociedade de Construção e Design Engenharia S.J. Limitada and in Chinese, 尚紀建築設計工程有限公司), a private limited liability company by quotas incorporated in Macau on 18 January 2012
"Share(s)" or "our Share(s)"	ordinary share(s) with nominal or par value of HK$0.01 each in the share capital of our Company

[**REDACTED**]

"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 24 October 2019, the principal terms of which are summarised in the paragraph headed "D. Share Option Scheme" in Appendix IV to this document
"Shareholder(s)"	holder(s) of issued Share(s)

[**REDACTED**]

"sq.ft."	square feet(s)
"sq.m."	square metre(s)
"sq.mi."	square mile(s)

[**REDACTED**]

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Talent Leap"	Talent Leap Investments Limited (智躍投資有限公司), a company incorporated in the BVI on 26 July 2016 limited by shares
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers, as amended, modified and supplemented from time to time

"Tax Adviser"	The Concord Consulting Service Limited
"Track Record Period"	the three years ended 31 December 2018 and the four months ended 30 April 2019

[**REDACTED**]

"Wah Kee"	HGC-WAH KEE Limited, a company incorporated in the BVI on 21 June 2017 limited by shares
"Wah Luen"	HGC-WAH LUEN Limited, a company incorporated in the BVI on 21 June 2017 limited by shares

[**REDACTED**]

"%"	per cent

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

This document contains explanations and definitions of certain terms used in connection with our Group's business. The terms and their meanings used in this document may not correspond to standard industry meaning or usage of these terms. As there is no official industry classification, the classification of our products is determined based on our Directors' knowledge and experience.

Unless otherwise specified or for transactions that have occurred at historical exchange rates, amounts denominated in MOP have been translated, for the purpose of illustration only, into HK$ in this document at the following rates:

HK$1.00 : MOP1.03

These exchange rates are for the purpose of illustration only and no representation is made that any amounts in MOP has been, would have been or may be converted, at these or any other rates or at all.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this document, except the section headed "Industry Overview" in this document, as they relate to our business. As such, these terms and their meaning may not always correspond to the standard industry meaning or usage of these terms, in particular, in the context of valuation methodology.

"CAGR"	compounded annual growth rate
"GDP"	gross domestic product
"practical completion certificate"	documented verification that all works and tasks included in a contract have been satisfactorily completed to a standard specification
"Schedule of Rates" or "Bills of Quantities"	a schedule setting out the breakdown of rates for different activities in the project and setting out the contract sum in the tender

FORWARD-LOOKING STATEMENTS

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

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

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

Our Group's future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group's future performance may be affected by various factors including, without limitation, those discussed in the sections headed "Risk Factors" and "Financial Information" in this document.

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

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

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

RISKS RELATING TO OUR GROUP'S BUSINESS

Our business is project-based, and our profit margin may fluctuate

Our business is project-based. During the Track Record Period, we derived all our revenue from our fitting-out, construction and repair and maintenance projects. Our projects included a variety of properties, covering different project sizes and types. The needs for development of these properties may be affected by external factors beyond our control, such as changes in our customers' preferences and the general market conditions. Our customers engage us on a project-by-project basis and we did not enter into any long term agreement with them as at the Latest Practicable Date. Therefore, there is no assurance that we will be able to secure new contracts with existing customers or seek new customers in the future. Accordingly, the number, type and scale of projects we may be engaged in may vary significantly from period to period. Our revenue may be contributed by different types of properties from time to time and we record different levels of profit margin for our projects for different types of properties. During the Track Record Period, our Group recorded a gross profit margin of 30.4%, 24.4%, 19.9% and 21.3% for the three years ended 31 December 2018 and the four months ended 30 April 2019 respectively.

Our revenue and profit margin also depend on other factors which are beyond our control, such as terms of the contracts, the efficiency of implementation of contract works, variation orders, our ability to control the project cost and progress as expected and the general market conditions. As a result, our revenue generated from our business may not be regular and we cannot assure that we can maintain the profitability of a project at any particular level. As such, our profit margin may fluctuate and our historical performance may not be indicative of our future performance.

If there is a significant decrease in the number of projects, or size of projects in terms of contract sum awarded to us for any reasons, and if we are unable to secure projects with a relatively high profit margin in the future, our financial condition and results of operations would be materially and adversely affected.

Our Group's top five customers accounted for a major portion of our Group's revenue

Our Group's top five customers accounted for approximately 74.3%, 78.2%, 91.3% and 87.1% of our Group's revenue for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 respectively, of which approximately 26.3%, 23.2%, 51.6% and 62.1% of our Group's total revenue were attributed to its largest customer for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 respectively. Our Group does not enter into any long-term written agreements with these major customers as the majority of the contracts are awarded to our Group on a project-by-project basis through tender or quotation process.

There is no assurance that our major customers would commence new projects of similar contract sums nor our Group would be able to retain its major customers in the future. Our Group's results of operations, profitability and liquidity would be materially and adversely affected if our Group is unable to secure new projects from its major customers or fails to procure a similar level of business from new customers on comparable commercial terms.

Failure to make accurate estimation for submitting tenders or quotations for new projects could materially affect our Group's profitability

The majority of the projects undertaken by our Group were awarded on a project-by-project basis through tender or quotation process. Our Group has to go through competitive tender or quotation process to secure new project works. The profitability of our Group's project depends on the price of its tender or quotation, which is determined based on the estimated costs to be incurred plus a mark-up. Therefore, it is crucial to accurately estimate and control the costs of each project in order to meet the expected profit margin. Save as disclosed in the section headed "Financial Information – Principal components of consolidated statements of profit or loss and other comprehensive income – Gross profit and gross profit margin" in this document, as confirmed by our Directors, our Group did not experience any material costs overrun and project delay during the Track Record Period. Our Directors consider that we did not experience significant loss from any of our completed projects which had material and adverse impact to our Group's operation and financial performances during the Track Record Period.

If a significant mark-up is added to the estimated costs, our Group's tender price may become less competitive and the project may not be awarded to our Group. On the other hand, if the tender price of the project awarded to our Group is too low and the actual time and costs involved in completing the project exceeds its estimation at the time when the tender or quotation was submitted, our Group's profitability may be materially and adversely affected if our Group is unable to pass such costs increase to its customers.

Inability of our subcontractors to secure a stable supply of labour at affordable wages may materially affect our Group's operations and financial performance

Construction projects are labour intensive. According to Frost & Sullivan Report, there has been a continued shortage of workers in the construction industry in Macau. Should we fail to locate subcontractors with sufficient skilled workers, our service capabilities and efficiency may be curtailed and our operations and financial performance may be adversely affected.

In addition, the labour costs of fitting-out workers in Macau have been increasing in recent years. According to the Frost & Sullivan Report, the average daily wages of fitting-out workers in Macau increased from MOP588.6 in 2013 to MOP883.9 in 2018. For the three years ended 31 December 2018 and four months ended 30 April 2019, our Group's staff cost amounted to MOP3,345,000, MOP6,410,000, MOP3,615,000 and MOP451,000 respectively, which represented approximately 2.7%, 2.6%, 1.1%, 1.1% and 0.4% of our cost of services respectively. In the event that there is a significant increase in labour costs, our Group may have to incur higher subcontracting costs and complete the projects with a lower profit margin and as such, our Group's financial results may be adversely affected.

Failure to receive progress payments on time and in full or recover our contract assets, or that retention money is not fully released to our Group after expiry of the defects liability period may affect our Group's liquidity position and expose the Group to credit risks in relation to trade receivables and retention receivables owed by our customers

Our Group receives progress payments, usually on a monthly basis, with reference to the value of the works completed and verified by our customers and/or their consultants. Generally, the value of the works completed is assessed by our customer who will verify our Group's claims for progress payments and request our Group to issue an invoice for the amount of works completed. Our Group usually allows a credit period of up to 90 days to our customers. As at 31 December 2016, 2017 and 2018 and 30 April 2019, the balance of our trade receivables amounted to approximately MOP21.6 million, MOP69.5 million, MOP77.2 million and MOP72.5 million respectively.

In addition, in most contracts with our customers, our Group's customers have the right to withhold 5% to 10% of the contract sum from each progress payment as retention money, which will only be released to us subsequent to the expiration of the defects liability period ranging from 12 to 60 months. As at 31 December 2016, 2017 and 2018 and 30 April 2019, retention money held by our Group's customers amounted to approximately MOP11.9 million, MOP22.2 million, MOP50.5 million and MOP52.6 million respectively. For further details of progress payments and retention money, please refer to the section headed "Business – Our operation flow – Tender/quotation process – (ix) Progress payment and retention money" in this document.

Contract assets arise when the Group has right to consideration for completion of fitting-out and construction works and not billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right become unconditional other than the passage of time. As at 31 December 2016, 2017 and 2018, and 30 April 2019, the balance of contract assets were approximately MOP49.0 million, MOP43.6 million, MOP22.7 million and MOP68.7 million, respectively. For details of the subsequent settlement of these contract assets, please refer to the section headed "Financial Information – Description of selected items of consolidated statements of financial position – Contract assets/liabilities" in this document.

There can be no assurance that the financial position of our customers will remain solvent or that such progress payments will be made on time or that such retention money will be timely released by our customers in the future or that our contract assets will be recovered in full or at all. If we do not receive our progress payments and retention money or recover our contract assets, our liquidity and financial position may be materially and adversely affected.

The cash flow of our Group may fluctuate due to the payment practice applied to its projects

At the early stage of our projects, our Group may be required to pay for early stage payments such as prepayment of some subcontracting fees, material costs as well as performance bonds. Our customers generally make progress payments after the works commence. Moreover, our Group's customers usually withhold 5% to 10% of the contract sum as retention money, which will only be released to our Group subsequent to the expiry of the defects liability period. Should our Group have a lot of projects at the early stage at any given point of time which require the payment of early stage payments or retention money could not be released by the customers in a timely manner, our Group's corresponding cash flow position may be adversely affected.

Unsatisfactory performance by our subcontractors or unavailability of subcontractors may adversely affect our Group's operations and profitability

Depending on our Group's internal resources level, nature of the works, cost effectiveness and the complexity of the project, our Group may subcontract certain activities in a project to other subcontractors based in Macau. In selecting subcontractors for a project, our Group will refer to an internal list of approved subcontractors, which are assessed based on their technical capability, job reference, pricing competitiveness, labour resources and past safety performance. Subcontracting fees incurred by our Group amounted to approximately MOP86.8 million, MOP191.6 million, MOP298.0 million and MOP115.9 million for each of three years ended 31 December 2018 and the four months ended 30 April 2019 respectively.

However, there is no assurance that the work quality of the subcontractors can always meet our Group's requirements and there is no assurance that our Group 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 Group's operation and financial position may be adversely affected.

Our Group maintains a high level of indebtedness and high gearing ratio that may affect our business, financial condition and results of operations

We maintain a high level of borrowings to finance our operations during the Track Record Period, and we expect that we will continue to have a high level of borrowings after the [**REDACTED**]. As at 31 December 2016, 2017 and 2018 and 30 April 2019, our bank overdrafts and bank and other borrowings amounted to approximately MOP91.0 million, MOP70.2 million, MOP52.3 million and MOP52.5 million respectively. Our gearing ratio, as calculated by dividing our total debts by our total equity, was approximately 91.6%, 70.8%, 61.0% and 47.8%, as at 31 December 2016, 2017 and 2018 and 30 April 2019 respectively.

Our high level of indebtedness could have an adverse effect on us, for example by: (i) increasing our vulnerability to adverse developments in general economic or industry conditions, such as significant increases in interest rates; (ii) limiting our flexibility in the planning for, or reacting to, changes in our business or the industry in which we operate; (iii) limiting our ability to raise additional debt or equity capital in the future; and (iv) restricting us from taking advantage of business opportunities.

In addition, loan agreements may contain certain restrictive covenants which may restrict or otherwise adversely affect our operations. Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by the then prevailing economic conditions, our business and other factors, many of which are beyond our control.

If we are unable to fulfil our repayment obligations under our borrowings, or are otherwise unable to comply with the restrictions and covenants in the loan agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the lenders may accelerate the repayment of outstanding debt or, with respect to secured borrowings, enforce the security interest securing the loan.

If any of above events occur, we cannot assure that our assets and cash flow would be sufficient to repay all of our indebtedness, or that we would be able to obtain alternative financing on terms that are more or less favourable or acceptable to us. As a result, our cash flow, financial condition and results of operations may be materially and adversely affected.

Our Group's success highly depends on our key management and our ability to attract and retain additional management and technical staff

Our Directors consider that our Group's success highly depends on the leadership, management and technical skills possessed by our key management. For the biography of our Directors and senior management of our Group, please refer to the section headed "Directors and Senior Management" in this document. As such, the future success of our Group depends significantly on the continuing service of these individuals and the loss of any executive Director or member of the senior management could have a material adverse effect on our Group's business if we are unable to find suitable replacements in a timely manner.

Our Directors are also of the view that the Group's success also depends on its ability to attract, identify, hire, train and retain additional management and technical staff with the requisite industry expertise. Competition for such personnel in the industry is intense, and any failure to recruit and/or retain the necessary personnel or the loss of a significant number of staff at any time could harm our Group's business and prospects.

Delay of our Group's projects will materially affect our financial performance and reputation

On a regular basis, usually on a monthly basis, our Group's customers and/or their consultants will carry out inspections on the completed works upon our Group's request to verify the amount to be received by our Group. Upon agreement with our customers, our Group will issue invoices to our customers and they are required to pay us the amount certified less retention money. A delay in a project will therefore affect our Group's billings, revenue, operational cash flows and financial performance.

Delay in a project may be caused by various factors, such as mismanagement, shortage of machineries and equipment, adverse weather conditions and other factors that are beyond our Group's control. If the delay is caused by our Group, we may be liable to pay compensation to our customers and our Group's reputation may be impaired and future business opportunities may be materially affected. Save as disclosed in the section headed "Financial Information – Principal components of consolidated statements of profit or loss and other comprehensive income – Gross profit and gross profit margin" in this document, as confirmed by our Directors, our Group did not experience any material costs overrun and project delay during the Track Record Period.

The Group's future plans may not be implemented successfully which may adversely affect our Group's prospects. Moreover, subsequent to the [REDACTED], additional administrative expenses may be incurred to maintain the [REDACTED] status of our Company which may affect our Group's profitability

Our Group's future plans comprise, among others, strengthening our Group's financial capabilities to undertake more new and larger scale fitting-out, construction and repair and maintenance projects in Macau and improving our capacity, capabilities and cost efficiency by acquiring machinery and equipment as well as recruiting more project management staff and professionals. Details of our Group's future plans are described in the section headed "Future Plans and Use of [**REDACTED**]" in this document. Such future plans are based on current intentions and assumptions. The future plans may be hindered by other factors beyond our Group's control, such as the general market conditions, the government policies relevant to the fitting-out and construction industry in Macau and our Group's ability to maintain existing competitive advantages. There is no assurance that our Group's future plans can be successfully implemented. Should there be any material adverse change in the operating environment that lead to the failure by our Group to implement any part of the future plans, our Group's prospects may be adversely affected.

Moreover, subsequent to the [**REDACTED**], our Group may incur additional administrative expenses to maintain the [**REDACTED**] status of our Company. For instance, professional fees may increase as our Group may seek professional advice more frequently in order to comply with the requirements of a listed company. As such, there is no assurance that our Group's profitability will be maintained.

Our Group may be liable for any defects in its projects

Our Group may be required to provide a defects liability period ranging from 12 to 60 months for its fitting-out and construction projects, during which our Group is responsible for remedial works which may arise from defective works or material used. For further details, please refer to the section headed "Business – Customers – Salient terms of fitting-out and construction contracts" in this document. If any aspects of the projects completed by our Group are found to be defective during the defects liability period, our Group may be responsible to rectify the defects. If our Group is unable to request our subcontractors to rectify the defects and is required to rectify defects on our own which might result in substantial costs being borne by our Group, the profitability of the relevant project will be reduced.

Our Group is exposed to non-compliance, disputes, claims or litigations

During the Track Record Period, our Group was involved in certain non-compliance incidents, details of which are set out in the section headed "Business – Non-compliance" in this document. In the event that our Group fails or continues to fail to comply with the applicable laws, rules and regulations, our Group may be liable to prosecution and/or fines, which may affect our Group's ability to maintain, renew and/or obtain registration and/or licences with relevant authorities in the future and hence our Group's operation may be materially affected.

During the Track Record Period and as at the Latest Practicable Date, save for claims against our Group (no matter actual, pending or threatened known to our Directors) which were generally related to work accidents arising out of the ordinary course of our business (details of which are set out in the section headed "Business – Occupational health and safety" in this document), no member of our Group was engaged in any litigation, claim or arbitration of material importance. For further details, please refer to the section headed "Business – Litigation" in this document. Our Group is subject to claims in respect of various matters from the customers, suppliers, subcontractors, workers and other parties concerned with the projects from time to time. Such claims may include claims for compensation due to late completion of works or delivery of substandard works, disputes relating to late or insufficient payment and claims in respect of personal injuries and labour compensation. Any of such claims may cause our Group to incur material costs or losses hence may materially and adversely affect our Group's business, financial condition and results of operations.

Failure to comply with safety measures and procedures on worksites may lead to increased occurrence of accidents and hence occurrence of personal injuries, fatal accidents or property damage

Our Group cannot guarantee that our workers, subcontractors or third parties at the worksites will comply with the safety measures and procedures during the execution of works. During the Track Record Period, there were certain accidents involving workers employed by our Group, the main contractors or our subcontractors, details of which are set out in the section headed "Business – Occupational health and safety" in this document. Due to the nature of our Group's business, accidents or mishaps may occur at the worksites even though our Group has put in place safety measures and procedures. Any non-compliance with safety measures and procedures may result in an increased occurrence of personal injuries, fatal accidents or property damage, which may lead to interruption of our Group's operations and adversely affect our Group's financial conditions and results of operations to the extent that these mishaps are not covered by insurance policies.

Our Group's insurance coverage may not be sufficient to cover all losses or potential claims which could affect our Group's business and results of operations

There is no assurance that the current levels of insurance maintained by our Group are sufficient to cover all potential risks. The coverage may not be sufficient and our Group may still be liable for losses or potential claims which are not insured adequately or at all. Should any significant personal injury or property damage occur in the worksites due to accidents, natural disasters or similar events which are not wholly or sufficiently covered by insurance, our Group may be liable to lawsuits, employee compensation obligations, a loss of assets or other form of economic loss.

In addition, the insurers may review the insurance policies periodically and there is no guarantee that our Group can renew the policies on similar or other acceptable terms or at all. If our Group incurs unexpected losses or losses that far exceed the policy limits, our Group's financial position, results of operations and prospects may be materially and adversely affected.

The future capital expenditure of our Group for the purchase of machinery and equipment may result in an increase in the depreciation expenses of our Group

After the [**REDACTED**], it is intended that approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]), representing [**REDACTED**]% of the net [**REDACTED**] from the [**REDACTED**], will be used to purchase machinery and equipment. We intend to purchase one tower crane, one lorry crane, 24 cement spraying machines and 24 automatic plastering machines in order to establish our own fleet of machinery and equipment. For further details, please refer to section headed "Future Plans and Use of [**REDACTED**]" in this document.

Upon the purchase of above-mentioned new machinery and equipment, an annual additional depreciation expense of approximately MOP2.2 million is expected to be incurred in accordance with the accounting policies adopted by our Group. Such depreciation expenses would have a negative impact to the profit of our Group and the relevant depreciation expenses may adversely affect our Group's financial performance in the future.

Dividends declared in the past may not be indicative of our dividend policy in the future

The Group's subsidiaries declared dividends of MOP50.0 million during the year ended 31 December 2017 and MOP80.0 million during the year ended 31 December 2018. For details of the dividend declared by our Group, please refer to the section headed "Financial Information – Dividends" in this document. Our Group does not have a formal dividend policy or a fixed distribution ratio. Any declaration of dividends proposed by our Directors and the amount of any such dividends will depend on various factors, such as the results of operations, cash flows, financial condition, future prospects and other factors which our Directors may consider relevant. For further details of the dividend policy, please refer to the section headed "Financial information – Dividends" in this document. Dividends declared in the past may not be indicative of our dividend policy in the future and our Group cannot guarantee if and when dividends will be declared in the future.

RISKS RELATING TO THE INDUSTRY IN MACAU

Our Group's business is highly competitive and we face competition from existing competitors and new market entrants

According to the Frost & Sullivan Report, the entry barriers of the fitting-out and construction industry in Macau are (i) industry expertise and reputation; (ii) good relationship with clients; and (iii) substantial capital investment. New participants may enter the industry if they have the technical knowledge, clientele and capital. Our Group may face competition from other existing and/or new contractors in the tender or quotation process for fitting-out or construction contracts. Failure to compete effectively or maintain our Group's competitiveness may result in lower operating margins and loss of market share, resulting in an adverse impact on our Group's profitability and operating results.

Inability to renew registration or comply with requirements or changes in relevant rules and regulations governing the fitting-out and construction industry in Macau could materially affect our Group's business, operations and financial performance

Any constructor, individual or corporate that wishes to carry out construction works in Macau has to be registered with the DSSOPT. Each of AD&C, Q.F. Stone, S.J. Construction and Huarchi Global has registered with the DSSOPT in order to carry out construction business in Macau. Please refer to the section headed "Business – Major qualification and certifications" in this document for further details. In the event our Group fails to renew the above-mentioned registrations for our Group's construction business, our Group's operations and financial performance may be significantly impacted. Further, in the event that there are any material changes in the existing regulatory regime that governs the fitting-out and construction industry in Macau, our Group may incur additional time and costs in complying with the new requirements or may not be able to meet such requirements at all, which may result in regulatory non-compliances and in turn materially and adversely affect our Group's business and operations.

RISKS RELATING TO MACAU

Our Group's revenue was derived from the operations in Macau and any downturn in the Macau market will affect our Group's financial performance

During the Track Record Period, the revenue of our Group was derived solely from the operations in Macau. Any unforeseen circumstances, such as natural disasters, economic recession, outbreak of an epidemic and any other incidents happening in Macau may adversely affect our Group's business, prospects, financial conditions and results of operations.

Our Group provides mainly fitting-out and construction works to both public and private sectors in Macau, the latter of which made up approximately 43.8%, 50.5%, 80.7% and 84.8% of the total revenue for the three years ended 31 December 2018 and the four months ended 30 April 2019 respectively. Therefore, our Group is dependent on the economic growth in Macau, in particular, the growth in the property market. Any downturn in the economy of Macau, in particular the property market, is likely to have an adverse impact on our Group's business and profitability due to the possibility of delay or cancellation of fitting-out and construction projects.

Conducting business in Macau involves certain political risks

Conducting business in Macau involves certain risks not typically associated with investments in companies based and operated mainly in Hong Kong, such as risks relating to changes in Macau governmental policies, changes in Macau laws or regulations or their interpretation, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, measures that may be introduced to control inflation, such as interest rate increases, and changes in the rates or method of taxation. In addition, our Group's operations in Macau are exposed to the risk of changes in laws and policies that govern operations of Macau-based companies. In the event that there is a downturn in the economy of Macau or there are changes in laws and policies governing our Group's business, our Group's business operation and hence financial results and financial position may be severely affected.

Macau is susceptible to natural disasters such as typhoons that could damage our worksites, disrupt the normal operations of our business and adversely affect earnings

During the Track Record Period, the revenue of our Group was derived solely from the operations in Macau. Macau is susceptible to natural disasters such as typhoons. In the last decade, Macau experienced severe typhoons that caused severe flooding, significant loss of life and property damage. These typhoons may cause severe damage to our worksites and adversely affect our operations. There is no assurance that future typhoons will not occur and result in major damages to our worksites or business interruption, which could have a material adverse effect on our results of operations and financial position.

RISKS RELATING TO THE [REDACTED] AND THE SHARES

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

An active trading market for the Shares may not develop and the trading price of the Shares may fluctuate significantly. Prior to the [**REDACTED**], there has been no public market for the Shares. The [**REDACTED**] was the result of negotiation between our Company and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]), and the [**REDACTED**] may not be indicative of the price at which the Shares will be traded following the completion of the [**REDACTED**]. In addition, there is no assurance that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following completion of the [**REDACTED**], or that the trading price of the Shares will not decline below the [**REDACTED**].

The trading price of the Shares may also be subject to significant volatility in response to, among others, the following factors:

- variations in our Group's operating results;
- changes in the analysis and recommendations of securities analysts;
- announcements made by our Group and/or its competitors;
- changes in investors' perception of our Group and the investment environment generally;
- developments of the fitting-out and construction industry in Macau;
- the liquidity of the market for the Shares; and
- general economic environment and other factors.

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

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

In addition, our Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of our Shareholders in our Company and may result in a dilution in the earnings per Share and net asset value per Share respectively.

The trading volume and share price of the Shares may fluctuate. Further, 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 price and trading volume of the Shares may be highly volatile. Factors such as variations in our Group's revenue, earnings and cash flow, announcements of business development, strategic alliances or acquisitions, new projects, industrial or environmental accidents suffered by our Group, loss of key personnel, changes in ratings by financial analysts and credit rating agencies or litigation could cause large and sudden changes in the volume and price at which the Shares are traded. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

Further, there is no assurance that the Controlling Shareholders will not dispose of, in part or in whole of, their Shares following the expiration of their respective lock-up periods after the [**REDACTED**]. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of the Controlling Shareholders may have on the market price of the Shares. The sales of the Shares by any of the Controlling Shareholders may materially and adversely affect the prevailing market price of the Shares.

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

Our Company's corporate affairs are governed by, among others, the Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of our 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 common law of the Cayman Islands and the Articles of Association. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those in Hong Kong and other jurisdictions. Please refer to the appendix headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this document.

RISKS RELATING TO THIS DOCUMENT

Investors should not place undue reliance on facts, statistics and data contained in this document with respect to the economies and the industry

Certain facts, statistics and data in this document are derived from various sources including various official government sources that our Group believes to be reliable and appropriate for such information. However, our Group cannot guarantee the quality or reliability of such source materials and as at the Latest Practicable Date, our Group has no reason to believe that such information is false or misleading or that any fact has been omitted rendering such information false or misleading. Whilst we have taken reasonable care in extracting and reproducing the information, they have not been prepared or independently verified by our Group, the Sponsor, the [**REDACTED**], the [**REDACTED**], the Co-[**REDACTED**], the [**REDACTED**] or any of their respective directors, affiliates or advisers and therefore, none of them makes any representation as to the accuracy or completeness of such facts, statistics and data. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics in this document may be inaccurate or may not be comparable to statistics produced for other publications or purposes and no undue reliance should be placed on them. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

Investors should read the entire document and our Group strongly cautions you not to place any reliance on any information contained in press articles, other media and/or research reports regarding our Group, its business, its industry and the [REDACTED]

There may be press and media coverage regarding our Group or the [**REDACTED**], which may include certain events, financial information, financial projections and other information about our Group that do not appear in this document. Our Group has not authorised the disclosure of any other information not contained in this document. Our Group does not accept any responsibility for any such press or media coverage and makes no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this document is inconsistent or conflicts with the information contained in this document and the [**REDACTED**], our Group disclaims responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to apply for the Shares, you should rely only on the financial, operational and other information included in this document and the [**REDACTED**].

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

Included in this document are various forward-looking statements that are based on various assumptions. Our Group's 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 document.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Main Board must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily residents in Hong Kong.

As our Group's principal place of business, our principal business operations and assets are all located, managed and conducted in Macau, our management is and will continue to be based in Macau. Our Company does not, and will not in the foreseeable future, have two executive Directors residing in Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, provided that our Company implements the following arrangements:

(a) we have appointed Mr. Lou and Mr. Wong Yat Chung (our chief financial officer and company secretary) as the authorised representatives of our Company pursuant to Rules 2.11 and 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. Each of the two authorised representatives will make themselves readily available to meet with the Stock Exchange within a reasonable period of time upon request, and will be readily contactable by telephone, fax and email to deal with enquiries from the Stock Exchange. Each of the authorised representatives is authorised to communicate with the Stock Exchange on our behalf;

(b) both our authorised representatives will have means to contact all members of the Board (including our independent non-executive Directors) promptly if requested;

(c) each of our Directors and authorised representatives has provided his mobile phone number, office phone number, fax number and email address (where applicable) to the Stock Exchange;

(d) we have appointed Ample Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing from the [**REDACTED**] 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 the [**REDACTED**], who will act as an additional channel of communication between our Company and the Stock Exchange;

(e) we will promptly inform the Stock Exchange of any changes to our appointed authorised representatives or compliance adviser; and

(f) all Directors (including our independent non-executive Directors) have confirmed that they have possessed or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time whenever required.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. LOU Cheok Meng (盧卓明先生)	Rua Central De Areia Preta No S/N, EDF. Villa de Mer Bl. 1 34 Andar A Macau	Chinese
Mr. CHANG Wa Ieong (曾華壤先生)	Avenida Do Ouvidor Arriaga No. 48 Nga Lim, 12-and-K Macau	Chinese
Mr. AO Weng Kong (歐穎剛先生)	Est. Marginal Areia Preta S/N Edf. Kin Wa San Chun, Bl-11 15 Andar B Macau	Chinese
Mr. LEONG Ka In (梁家賢先生)	Est. Gov. Nobre de Carvalho Bl. 3, Fl. 23, Flat K Ed. The One Grantai Taipa Macau	Chinese
Independent non-executive Directors		
Dr. LAM Chi Kit *BBS MH JP* (林志傑醫生)	3/F. No. 21 Green Lane Happy Valley Hong Kong	British
Dr. SIN Wai Chiu Joseph (冼偉超博士)	Flat A, 19/F., Block 2 Julimount Garden 8 – 12 Fu Kin Street Shatin New Territories Hong Kong	Australian

Mr. LO Chun Chiu Adrian (羅俊超先生)	Flat A, 11/F., Block 3 Villa Rhapsody Symphony Bay 533 Sai Sha Road Sai Kung New Territories Hong Kong	Chinese

For further information about the Directors, please refer to the section headed "Directors and Senior Management – Directors" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sponsor	Ample Capital Limited Unit A, 14/F. Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Legal advisers to our Company	*As to Hong Kong laws:* Christine M. Koo & Ip, Solicitors & Notaries LLP Room 1101, 11/F., Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong *As to Macau laws:* Rato, Ling, Lei & Cortés – Advogados Av. da Amizade, n.º 555 Edif. Macau Landmark Office Tower, 23.º andar Macau *As to Cayman Islands laws:* Appleby Rooms 2206 – 19 Jardine House 1 Connaught Place Central Hong Kong

Legal adviser to the Sponsor and the [REDACTED]	*As to Hong Kong laws:* Michael Li & Co. 19/F. Prosperity Tower No. 39 Queen's Road Central Central Hong Kong
Auditor and reporting accountants	Wellink CPA Limited Rooms 803 – 4 Kin Wing Commercial Building 24 – 30 Kin Wing Street Tuen Mun New Territories Hong Kong
Industry consultant	Frost & Sullivan Limited 1706 One Exchange Square 8 Connaught Place Central Hong Kong
Tax adviser	The Concord Consulting Service Limited Unit A1, 16/F. OfficePlus @Mong Kok No. 998 Canton Road Mongkok Kowloon Hong Kong
Compliance adviser	Ample Capital Limited Unit A, 14/F. Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong
Receiving banker	

[REDACTED]

CORPORATE INFORMATION

Registered Office	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Principal place of business in Hong Kong	905B, 9/F. Harbour Crystal Centre 100 Granville Road Tsim Sha Tsui Kowloon Hong Kong
Headquarters and principal place of business in Macau	Alameda Dr. Carlos d'Assumpçáo No. 249 Edif. China Civil Plaza 7 Andar E&F Macau
Company's website	**www.huarchi.com** (*information on this website does not form part of this document*)
Company Secretary	Mr. Wong Yat Chung *(HKICPA)* 905B, 9/F. Harbour Crystal Centre 100 Granville Road Tsim Sha Tsui Kowloon Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. Lou Cheok Meng Rua Central De Areia Preta No S/N, EDF. Villa de Mer Bl. 1 34 Andar A Macau Mr. Wong Yat Chung *(HKICPA)* 905B, 9/F. Harbour Crystal Centre 100 Granville Road Tsim Sha Tsui Kowloon Hong Kong

CORPORATE INFORMATION

Audit Committee	Dr. Sin Wai Chiu Joseph (*chairman*) Dr. Lam Chi Kit Mr. Lo Chun Chiu Adrian
Remuneration Committee	Mr. Lo Chun Chiu Adrian (*chairman*) Dr. Lam Chi Kit Mr. Lou Cheok Meng
Nomination Committee	Dr. Lam Chi Kit (*chairman*) Dr. Sin Wai Chiu Joseph Mr. Lou Cheok Meng
Principal share registrar and transfer office	[**REDACTED**]
Hong Kong branch share registrar and transfer office	[**REDACTED**]
Principal bankers	Luso International Banking Ltd. Avenida Dr. Mário Soares, no. 47 Macau China Guangfa Bank Macau Branch Alameda Dr. Carlos d'Assumpção no. 181 – 187 Centro Comercial do Grupo Brilhantismo 18º andar Macau Bank of China Limited Macau Branch Avenida Doutor Mario Soares, no. 307-323 Macau

The information that appears in this section has been prepared by Frost & Sullivan and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading.

The information prepared by Frost & Sullivan and set out in this section has not been independently verified by our Group, the Sponsor, or any other party involved in the [**REDACTED**] *(which, for the purpose of this section, excludes Frost & Sullivan).*

ABOUT THIS SECTION

We have commissioned Frost & Sullivan to provide prospective investors with the relevant material industry information on the Macau construction and fitting-out works industry. The Frost & Sullivan Report is independent from our influence. Frost & Sullivan received a total fee of HK$830,000 for the research and preparation of the Frost & Sullivan Report. Other than the Frost & Sullivan Report, no other information disclosed in this document is extracted from reports commissioned by our Group or the Sponsor. Our Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the Frost & Sullivan Report.

ABOUT FROST & SULLIVAN

Frost & Sullivan is an independent global consulting firm founded in 1961. It offers industry research, market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom. The Frost & Sullivan Report includes information on data for Macau construction and fitting-out work market.

RESEARCH METHODOLOGY

In compiling and preparing the research report, Frost & Sullivan conducted primary research including telephone and face-to-face interviews with industry participants. Also, secondary research, which involved reviewing industry publications, annual reports and data based on its own database, was conducted. Frost & Sullivan presented the figures for various market size projections from historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. Frost & Sullivan assumed that (i) the social, economic and political environment is expected to remain stable and (ii) key industry drivers are likely to continue to affect the market over the forecast period from 2019 to 2023.

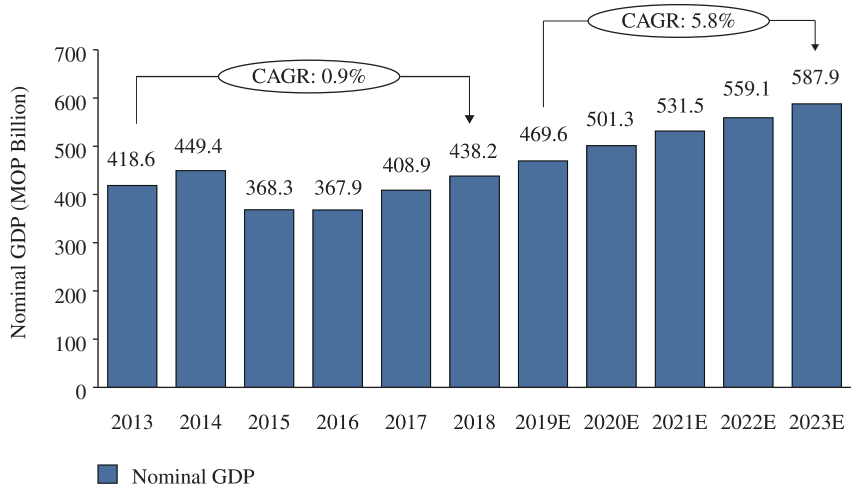
OVERVIEW OF THE MACRO ECONOMY IN MACAU

Nominal GDP

Macau had demonstrated a robust growth in nominal GDP from 2013 to 2014 due to the booming gaming and tourism industries. In 2015 and 2016, with the implementation of anti-corruption initiatives by the The State Council of the PRC, the performance in gaming and tourism industries was affected, leading a drop in nominal GDP in Macau.

With the growing demand for goods and services, as well as the recovery of tourism and gaming industries, It is expected that the nominal GDP will recover at a relatively stable level in coming years at a CAGR of 5.8% from 2019 to 2023, reaching MOP 587.9 billion in 2023.

Nominal GDP (Macau), 2013 – 2023E



Source: International Monetary Fund, Frost & Sullivan

OVERVIEW OF THE CONSTRUCTION MARKET IN MACAU

Definition and segmentation of construction industry

Civil works

Civil works refers to construction works performed by main contractors at construction sites by the end-use category named "Structures and facilities" which include transport, other utilities & plant, environment and sports & recreation, for example railways, roads, highways, bridges, airport, port works, water works, drainage, reclamation, excavation works, site formation, landscape, open spaces, sport grounds, other urban services facilities, service stations and plant, and other related construction projects.

Building works

Building works refers to the construction works performed by main contractors at construction sites by the end-use category named "Buildings" which include residential, commercial, industrial & storage and service, for example residential buildings, commercial buildings, industrial buildings and general superstructure erection depending on its nature of works or the end-use of the construction project.

RMAA works

RMAA works stands for repair, maintenance, alteration & additional works generally undertaken by contractors. It refers to the construction works at locations other than sites, including general trades and special trades.

General trades include decoration, repair and maintenance, and construction works at minor work locations such as site investigation, demolition, structural alternation and additional works; special trades include carpentry, electrical equipment, ventilation, gas and water fitting installation and maintenance.

E&M works

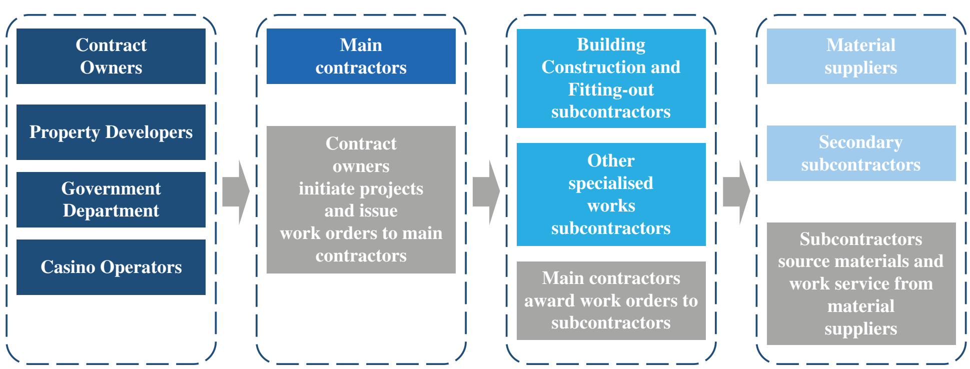
E&M works stands for electrical and mechanical works usually undertaken by contracting/subcontracting specialists. It is a significant component of the construction supply chain. E&M design is critical for design decision-making, accurate documentation, performance and cost-estimating and construction planning, which normally include design and value engineering, supply and installation, energy audit, testing and commissioning, operation and maintenance of the building facilities.

Value Chain Analysis

Property owners, developers and government departments are the major clients for construction projects in both public and private sectors. As a common practice in the construction market, contract owners initiate projects and issue work orders to main contractors in the form of tendering. In Macau, the building construction and fitting-out projects are initiated by the government, property developers and the major casino operators and awarded to the main contractors in the industry through tendering. It is not uncommon that the main contractors enter into sub-contracts with one or more subcontractors, leading to secondary subcontracting. The contractors would source construction raw materials and equipment required in building construction and fitting-out projects, namely sand, concrete, aggregates, wood, glass, wires, pipes and paint. The contractors also provide the solutions of project management in execution, from project coordination, supervision to quality assurance.

The joint-tender arrangement is a market practice in the Macau fitting-out and building construction industry. According to the office for Infrastructure Development of Macau (澳門建設發展辦公室), five out of 12 ongoing and planned construction projects are performed in joint-tender arrangement from 2015 to 2019. The contract sum allocation between the contractor-in-charge and joint-contractor is determined by factors, including bargaining power, complexity of construction works, business relationship, and financial strength. The contract sum allocation varies in different scenarios and it is a confidential and commercial discussion and/or negotiation among the parties in the joint tendering arrangement, which the information remains private and confidential to the market.

According to the website of the office for Infrastructure Development of Macau (澳門建設發展辦公室), 42 public projects were being published to the public from 2016 to 2018, inclusive of project status of "complete" and "in progress". Among the 42 public projects, 14 projects have been tendered under the joint-tender arrangements. According to such record from the website of the office for Infrastructure Development of Macau (澳門建設發展辦公室), joint-tender arrangements is not uncommon in the construction and fitting-out industry in Macau. It is a market practice to enter into framework agreement or memorandum of understanding before the contractors are awarded with or submitted tender or quotation for the project. The memorandum of understanding is the agreement usually made when the term of reference provided by the owner stipulates that the contractors that want to obtain the tender details documents must be in particular business forms. Memorandum of understanding is generally prepared when the contractors want to explore tender details first, they may enter this type of agreement, rather than more formal agreement.



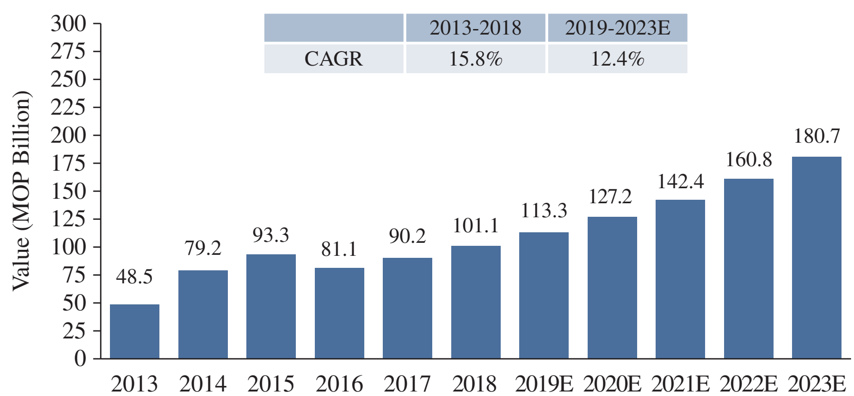
Source: Frost & Sullivan

Value of Construction Work Done and Other Receipts in Macau

With the strong demand for construction due to the booming tourism and gaming industries, the value of construction work done had increased significantly from approximately MOP48.5 billion in 2013 to approximately MOP101.1 billion in 2018, representing a CAGR of approximately 15.8%. The dramatic increase during 2013 to 2014 was primarily due to the construction of a number of new casinos and hotels in Macau, namely Wynn Palace Cotai Macau, The Parisian Macao, Studio City and Broadway Macau. Following the significant growth during 2013 to 2014, the value of construction works done recorded a decline in 2016, primarily due to (i) the cooling down of the gaming industry and (ii) decrease in the government's budget on construction works as a result of decreased taxation income from the gaming and tourism industries.

Hence, the government of Macau has launched various promotional campaigns and related policies to support the tourism industry along the time. The completion of Hong Kong-Zhuhai-Macau Bridge is expected to promote the development in Macau, including the construction of new shopping malls, commercial areas and casinos. Moreover, development of the "New Urban Zone", a huge land reclamation project in Macau spanning over approximately 2.8 sq.mi. and expected to add over 12% of land and for city use as highlighted in the Macau Policy Address (the "**Policy Address**") for the Fiscal Year 2017 and 2018 was recognised as a key driver to the construction industry. Moreover, the development of hotels and resorts from private sector is still ongoing. Hence, it is expected that the construction market of Macau will continue to grow at a CAGR of approximately 12.4% from 2019 to 2023, reaching approximately MOP180.7 billion in 2023.

Value of Construction Work Done and Other Receipts in Macau, 2013 – 2023E

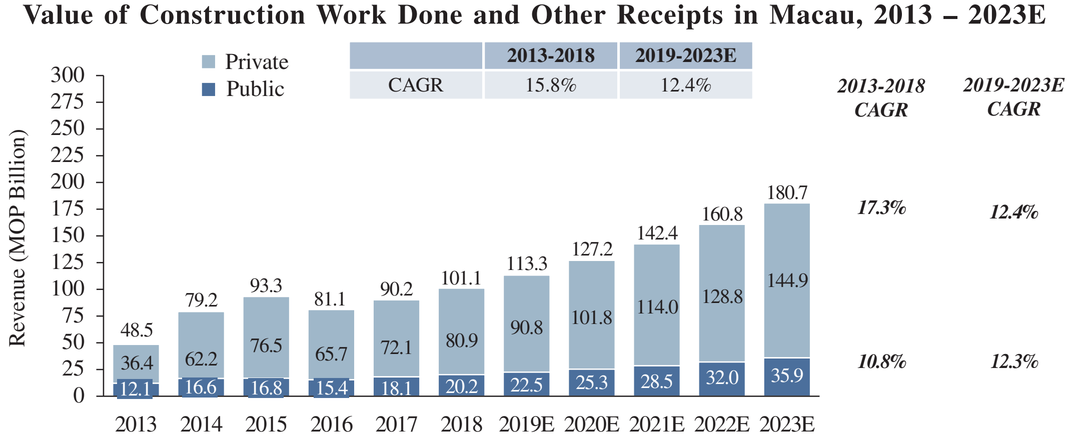


Source: Macau Statistics Department, Frost & Sullivan

Note: Other receipts refer to receipts for non-construction services rendered to others, e.g. rental from leased property, income from letting of machinery and equipment without operator, receipts from technical consultant services, etc.

The value of construction work done and receipts in private sector recorded an increase from MOP36.4 billion in 2013 to MOP80.9 billion in 2018, at a CAGR of 17.3%, primarily due to the diversified tourism development and impetus from building of integrated city. The value of construction work done and receipts in public sector increased from MOP12.1 billion in 2013 to MOP20.2 billion in 2018, representing a CAGR of 10.8%. The private segment is forecasted to keep a steady growth. By the end of 2023, the value of construction work done and receipts in private sector is likely to reach MOP144.9 billion in 2023, with a CAGR of 12.4% from 2019 to 2023. Supported by the rising housing supply, the value of construction work done and receipts in public sector is forecasted to grow at a CAGR of 12.3%, from MOP22.5 billion in 2019 to MOP35.9 billion in 2023.

Value of Construction Work Done and Other Receipts in Macau, 2013 – 2023E



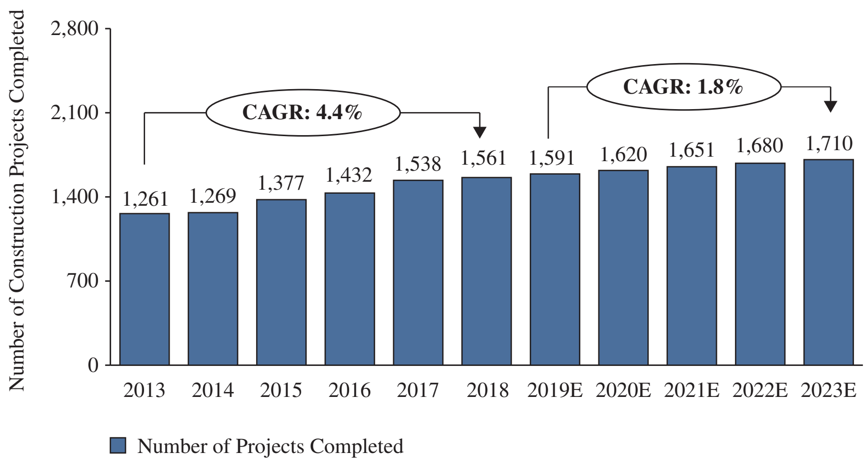
Source: Macau Statistics Department, Frost & Sullivan

Completion of Construction Projects

The number of construction projects completed in Macau was on a relatively stable trend in the past few years. The development projects in Macau had been shifting from small scale projects (e.g. maintenance and renovation of old buildings) to sizable projects (e.g. new building construction projects) including hotels and casinos. As a result, with the growth in tourism and gaming industries, the number of construction project increased from 1,261 in 2013 to 1,561 in 2018, at a CAGR of 4.4%.

With the supportive initiatives to boost the tourism industry in Macau, the steady growth of tourism industry and growing demand for casino, shopping mall and hotel is expected in future and it will serve as key drivers to construction work in Macau. It is expected that the number of construction projects will enjoy a steady growth and reaching 1,710 in 2023, representing a CAGR of 1.8% from 2019 to 2023.

Number of Construction Projects Completed (Macau), 2013 – 2023E



Source: Macau Statistics Department, Frost & Sullivan

OVERVIEW OF THE BUILDING CONSTRUCTION AND FITTING-OUT MARKET IN MACAU

Definition of Building Construction

Building Construction is the process of constructing a building or infrastructure. Building Construction typically takes place on location for a certain targeted client. Building Construction projects usually starts with project planning, then goes through construction execution and completes with project acceptance by project owner. The category of building construction includes the followings:

(i) Foundation Works

Foundation works cover (i) Excavation and lateral support works ("ELS"), (ii) pile cap construction, and (iii) piling works. They focus on building the structure below the ground level including basement. Normally, foundation works are commenced at the very first step of a construction project, as it provides critical support to the whole building structure;

(ii) Construction of Buildings

Erection of architectural superstructures, structural steel framework erection, other new building construction works, structural alteration and addition works and erection of minor architectural superstructures combine with other miscellaneous new building construction works;

(iii) Building Services, Installation and Maintenance Activities

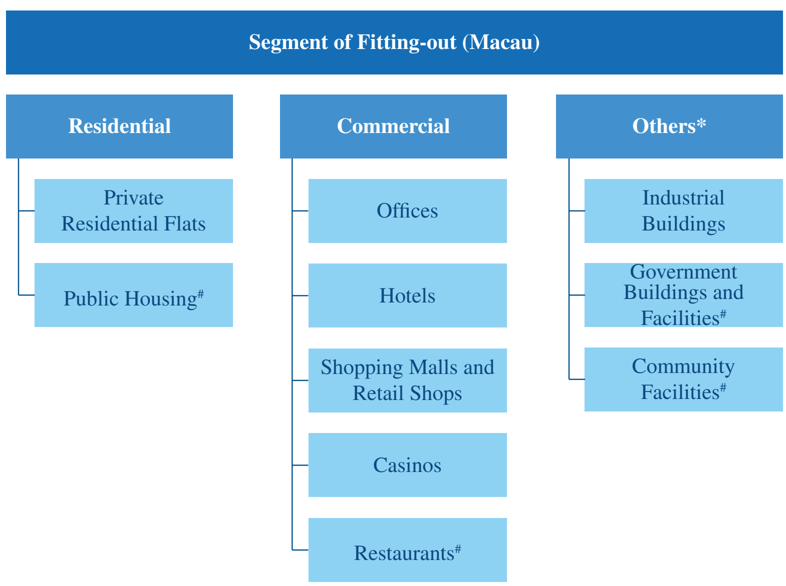
Electrical equipment installation and maintenance, ventilation, gas and water fitting installation and maintenance activities, other construction installation and maintenance; and

(iv) Building Finishing and Other Specialised Construction Activities

Decoration, repair and maintenance for buildings, interior fitting, decoration and repairs for buildings, exterior renovation and repairs for buildings, combination of interior fitting, decoration and exterior renovation and repairs for buildings, other general finishing and specialised construction works.

Definition and Segmentation of Fitting-out

A fitting-out project generally involves shop drawing, procurement of materials, execution of fitting-out works, site supervision, management of subcontractors and overall project management. Types of works of a fitting-out project generally include stone works, carpentry and joinery works, floor carpeting, decorative lighting suspended ceilings, plastering works, steel and metal works, installation of sanitary fittings and wares, fittings, fixture and equipment, glazing works, painting works, wall papering, as well as other associated works. During the Track Record Period and up to the Latest Practicable Date, among the segments of fitting-out, our Group have provided fitting-out works mainly to the public housing, restaurants, government buildings and facilities and community facilities segments.



Source: Frost & Sullivan

Note:

*: Others also include the unclassified facilities and buildings not included in the above chart.

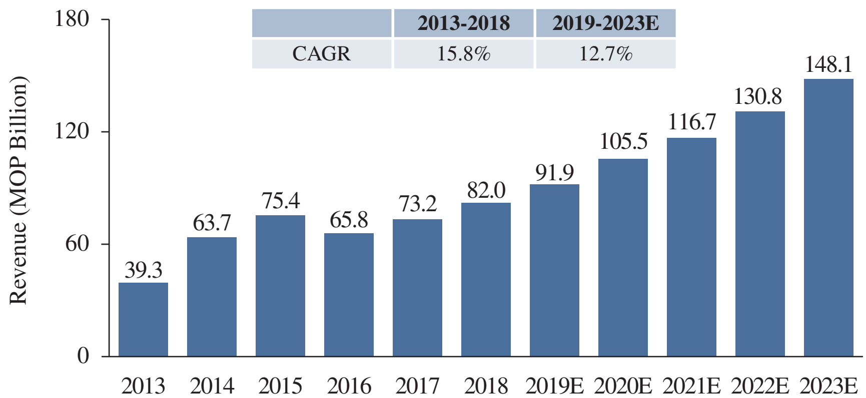
#: Segment of fitting-out our Group have provided fitting-out works during the Track Record Period and up to the Latest Practicable Date.

Market Size of Building Construction

The building construction market in Macau experienced a strong growth from MOP39.3 billion in 2013 to MOP82.0 billion in 2018, representing a CAGR of 15.8%. The rapid increase was primarily due to the new construction of casinos and hotels from 2013 to 2018.

The expediting of the residential developments in the urban development and reclamation work for New Urban Zone Area A, would increase the demand for building construction. The building construction market in Macau will likely to grow continuously at a CAGR of 12.7% during 2019 to 2023, reaching MOP148.1 billion in 2023.

Revenue of Building Construction Market in Macau, 2013 – 2023E



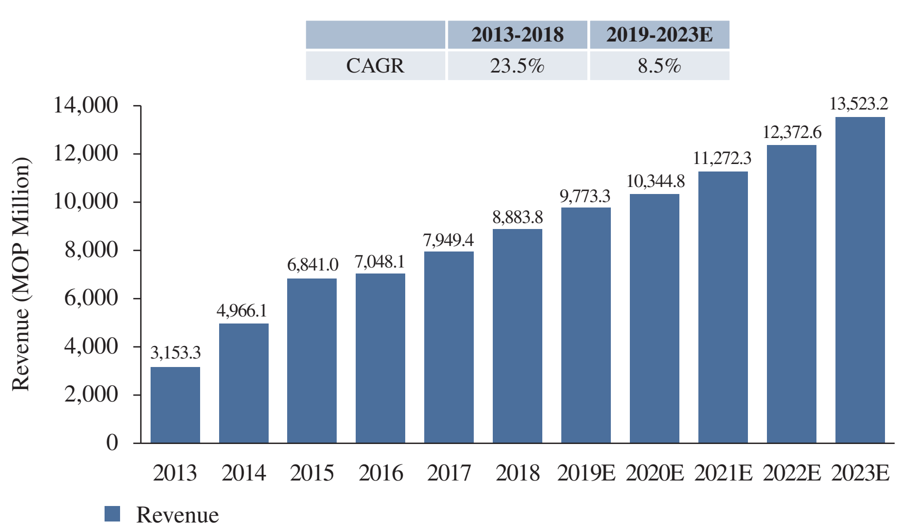
Source: Frost & Sullivan

Market Size of Fitting-out Works

According to the Frost & Sullivan report, the revenue of fitting-out market in Macau increased from approximately MOP3,153.3 million to approximately MOP8,883.8 million from 2013 to 2018, at a CAGR of 23.5 %. The strong growth was attributed to sustained development of gaming and tourism industries, as well as the steady growth of construction market in Macau. In view of the downturn of Macau's gaming industry in 2015, the market demand for high-end hotels, casinos and other commercial facilities slowed down, which leads to the declining growth of fitting-out market in 2016.

Going forward, the infrastructure development in Macau, namely the improvement of the Taipa Line of the Light Rail Train, presents the growth opportunities for tourism in the future. Meanwhile, the positioning as world centre of tourism and leisure together with impetus from building of integrated city would serve as the new driver to the fitting-out works in the construction and refurbishment of buildings and facilities in the new development model of Macau. The revenue of fitting-out market in Macau is expected to experience a moderate growth from approximately MOP9,773.3 million in 2019 to approximately MOP13,523.2 million in 2023, at a CAGR of approximately 8.5%.

Revenue of Fitting-out Market in Macau, 2013 – 2023E



Source: Frost & Sullivan

Market Drivers and Trends

- ***Supportive Policies in Building Construction***

The Macau 2017 Policy Address outlines public development plans including construction of healthcare facilities and the new Macau Central Library. The Policy Address also highlights the supply of approximately 12,600 public housing units in short-to-medium-term planning, and a long-term planning to provide around 28,000 public housing units in New Urban Zone Area A, as well as the development of 4,000 private residential flats. Furthermore, the Government has put an emphasis on development of tourism industry, in particular budget hotels, theme parks and integrated shopping malls. As set out in the Macau 2018 Policy Address, the Government will accelerate construction of transport infrastructure facilities, including the construction of the Light Rail Transit (LRT) system, the establishment of an LRT operation company responsible for construction and operation of the LRT system, and continue proceeding with the legislation on the future operation of the LRT. The improved infrastructure facilitates the sustainable development of the city and will drive the building development works accordingly. It is expected that there are more growth drivers present to the Macau construction industry in the future. Correspondently, the building construction and fitting-out works market is forecasted to witness a growing trend.

- ***Accelerated Development in Integrated Resort City***

The Macau Government has implemented policies in the promotion of integrated resort city, to shift the focus from gaming to mass segment with various entertainment options. For instance, the construction of third and fourth phases of the Galaxy Macau resort focused on building in non-gaming features and primarily targeting construction of MICE (meetings, incentives, conferences, and exhibitions) to introduce Macau as a new destination for convention and meetings for businessmen. On the other hand, the completion of The Parisian Macau, Sands China's Cotai Strip development brought in non-gaming features such as the construction of 12,000 hotel rooms, nearly 1.7 million sq.ft. of MICE space, approximately 1.9 million sq.ft. of retail malls, theatres and other amenities. With the diversified tourism development, the gaming industry is forecasted to sustain its growth in the long run, which would increase the needs for construction and upgrading of hotels and casinos. In the building of integrated city, increasing number of facilities and buildings are constructed, maintained and conversed to other uses through addition and alteration works, creating growth opportunities for the service providers in building construction.

- ***Continued Investment in Infrastructure***

Macau Government has been putting effort to keep pace with the territory's rapid rise to become the world centre of tourism and leisure. In view of the increasing pressure on transport systems, several mega construction projects, including the improvement of the Taipa Line of the Light Rail Train, a permanent Taipa ferry terminal and a rail link to Zhuhai airport, continue to provide a significant boost to construction activities, especially civil engineering, and propel the city development. Going forward, the infrastructure development in Macau would present growth opportunities for tourism. Together with the continuous building of integrated city in Macau, the construction of new buildings, upgrading of facilities and renovation works are envisaged and will implies a higher demand for building construction.

- ***Rising Needs from Redevelopment of Gaming and Tourism Industry***

With diversified development in tourism and leisure, non-gaming development is now playing a facilitating role in the construction market in Macau. Construction of hotels and casinos in the pipeline, namely MGM Cotai, City of Dreams Fifth Hotel Tower, THE13, Lisboa Palace, would create stable demand for fitting-out works in the newly built buildings. On the other hand, the upgrade and maintenance of the casinos and hotels are performed on a regular basis, which increase the needs for fitting-out works accordingly. As set out in the Tourism Industry Development Master Plan Consultation Paper in 2016, Macau is positioned as the World Centre of Tourism and Leisure to diversify the overall development of the tourism industry and promote new development of cultural tourism. As set out in the Macau 2018 Policy Address, the government encourages gaming operators to continue developing non-gaming businesses, and integrating more leisure tourism elements into their existing operations. The government also continues to support gaming enterprises to prioritise using products and services designed and made in Macau, and foster synergy between gaming enterprises and local small- and medium-sized enterprises, long-established local shops and cultural and creative industries. As estimated, more renovation, demolition, alteration and addition works are required and new designs will be applied in the redevelopment projects. The redevelopment of gaming and tourism industry in Macau will continue to drive the fitting-out market.

- ***Expediting of Housing Supply***

The housing policy in Macau has been reviewed to cater to the rising needs for housing supply, including subsidised Home-Ownership Scheme flats and social rental housing units. As set out in the 2017 Policy Address and information provided by the DSSOPT, the government is planning an additional 40,600 public housing units. According to the Housing Bureau (IH), the supply of public housing units will rise to 49,873 units in 2026. As predicted, there will be a large number of completed public housing flats in the five-year period (2021-2026). According to the Macau 2018 Policy Address, the target of constructing 28,000 public housing units in the New Urban Zone Area A will be realised in four phases. In addition, the feasibility study on the public housing project on Wai Long Avenue of Taipa is being conducted in four phases and is provisionally forecast to provide about 6,500 public housing units in the future. As such, the newly built residential units act as a driver to the construction market of Macau, representing huge market opportunities for the fitting-out companies engaged in providing service in public residential development.

- ***Surging Demand From The Renovation and Maintenance of Social Amenities***

The government of Macau announced the draft of its "Five-Year Development Plan" (2016-2020) to address the initiatives of maintenance of stable development, promotion of balanced and coordinated socio-economic development and the sharing among the community of the fruits of development achieved by these concerted efforts. Fitting-out works would be required in the construction and maintenance of social amenities, transportation facilities, tourism spots, entertainment facilities and government buildings. The increasing number of refurbishment and renovation projects is forecasted to give a rise to the needs for fitting-out works in Macau.

Opportunities and Threats

- ***Promotion of Smart City***

As set out in the Five-Year Development Plan (2016-2020), the building of Smart City has been promoted in Macau. The government suggests six key agendas for realisation of the Smart City, covering (i) the further promotion of mobile network, feasibility study on the application of cloud computing and exploring the potential of IOT, (ii) building open-source database on the operation and management of city, (iii) extension of WiFi network, (iv) upgrading of the telecommunication network mechanism for emergencies management, (v) facilitating the cooperation of mobile network operators and (vi) construction of three-dimensional city. Alibaba Group and Macau government have entered into a strategic partnership framework agreement, under which Alibaba will support Macau's transformation into a smart city by using cloud computing technologies in order to bring benefits to both residents and tourists visiting the city. The supportive government policies and strategic partnership of Smart City would drive the investment on the IT infrastructure and the growth opportunities for the building facilities. The expediting of Smart City would drive the investment on the IT infrastructure and the growth opportunities for the building facilities. The application of advanced building management systems is forecasted to rise, which will likely to benefit the fitting-out industry in Macau in the future.

- ***Diversification of Tourism Industry***

The Macau government released Tourism Industry Development Master Plan Consultation Paper in 2016 to position Macau as the World Centre of Tourism and Leisure, diversifying the overall development of the tourism industry and promoting new development of cultural tourism. The upgrading of the accommodation options, cultural facilities and retail shops, as well as the enhancement in transportation networks would be performed to attract visitors from new target segments and regions. On the other hand, the integrated resort offering also result in the construction of a wide variety of facilities so as to allow integrated resort owners to provide a full complement of products and services to cater for different market segments and needs. The diversification of tourism industry would translate into growth opportunities for the fitting-out industry in Macau.

- ***Rising Complexity of Works***

In Macau, building construction and fitting-out industry is facing higher project complexity and expectation from clients, which is attributed to the increased competition in construction sector and the increasingly adoption of design and build approach. Time and resources are required for the new development model and new sets of expertise are needed. Building construction and fitting-out work providers who are not able to catch up with the rising trend would find it hard to compete with others.

- ***Rising in Cost of Labour and Raw Materials***

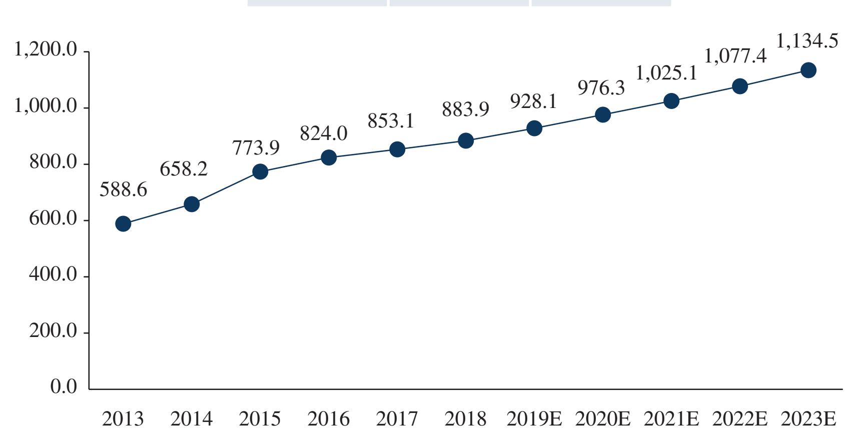
Mismatch between the demand and supply for skilled labour has caused labour shortage in the Macau's building construction and fitting-out industry. The rapid development of the construction industry has further aggregated the imbalance between the supply and demand for labour, which raises the wages of building construction and fitting-out industry in Macau. The average daily wages of fitting-out workers in Macau recorded an increase from MOP572.0 in 2012 to MOP853.1 in 2017, representing a CAGR of 8.2%. Combined with the rising material costs, the rising labour cost is adding difficulties to the operation of the building construction and fitting-out industry in Macau. Therefore, the introduction of non-resident labour has alleviated the shortage of local labours in Macau, as the labour cost of non-resident labours is lower than the local labours. It is a common practice for the fitting-out and construction industries in Macau to recruit non-resident labours, such as workers from the PRC. Combined with the growing demand for construction works, the number of non-resident construction worker in Macau increased from 26,221 in 2013 to 30,129 in 2018, at a CAGR of 2.8%.

Cost Analysis

The average daily wages of fitting-out workers in Macau recorded an increase from MOP 588.6 in 2013 to MOP 883.9 in 2018, representing a CAGR of 8.5%. This growth was due to the enlarging mismatch between demand and supply of fitting-out labour, which in turn resulted in the rise of daily wages. The average daily wages of fitting-out workers in Macau is expected to rise in the future. The average daily wages of fitting-out workers in Macau is forecasted to hit MOP1,134.5 in 2023 at the CAGR of 5.1%.

Average Daily Wages of Fitting-out Workers (Macau), 2013 – 2023E

	2013-2018	2019E-2023E
CAGR	8.5%	5.1%



Source: DESC, Frost & Sullivan

Major raw material of fitting-out, including sand and Portland cement experienced a steady increase in the price respectively from 2013 to 2018, primarily due to the continued growth in the property market and construction industry in Macau. Among the raw materials, the sand recorded the greatest growth of CAGR 13.6% from 2013 to 2018. The general increase of raw materials of fitting-out works from 2013 to 2018 was driven by the rising demand and the healthy development of construction market in Macau.

The general increase in raw materials of fitting-out works is based on the assumption that the macro factors of fitting-out market in Macau is likely to remain stable; diversified development in tourism and leisure gives a rise to the fitting-out industry in Macau; accelerated development in integrated resort city creates greater needs for the fitting-out works; and impetus from surging demand for new construction in gaming and hospitality sectors would have positive impact on the fitting-out market in Macau. The rise in price of raw materials of fitting-out works is due to the continued growth in the property and construction market from 2019 and 2023.

Price Trends of Raw Materials for Fitting-out Works (Macau), 2013 – 2023E

	Unit	2013	2014	2015	2016	2017	2018	2019E	2023E	CAGR 2013-2018	CAGR 2019-2023
Sand	m^3	135.3	154	197.5	235.49	222.7	256	286.7	451.1	13.6%	12.0%
Portland cement (ordinary) – Macau	ton	755.3	816	858.8	861.8	856.5	873.5	904.10	1,037.4	3.0%	3.5%

COMPETITIVE LANDSCAPE OF THE BUILDING CONSTRUCTION AND FITTING-OUT MARKET IN MACAU

Overview of Competitive Landscape of Building Construction Market in Macau

According to the DSSOPT, there are around 800 registered contractors in the construction industry in Macau, as of July 2019. The building construction industry, encompassing a wide spectrum of works, from foundation works, construction of buildings to building finishing and other specialised construction activities, has kept pace with the development of the overall construction market and recorded the rapid growth in Macau. The building construction market in Macau is relatively concentrated yet highly competitive, with the top five players contributing to 25.3% of the entire market in terms of revenue, and dominated by the international and Hong Kong-based construction groups with presence in Macau and other regions, who have demonstrated strong track record in overall buildings development and integrated one-stop building and construction solutions. The building construction work providers usually serve as the main contractor and act as the project manager for the overall development of the relevant projects. Our Group accounts for 0.5% in Macau building construction market in 2018 in terms of revenue.

Ranking and Market Share of Leading Building Construction Contractors by Revenue (Macau), 2018

Rank	Company	Estimated Revenue in 2018 *(MOP Million)*	Approximate Market Share *(%)*
1	Company E	7,242	8.8%
2	Company F	6,150	7.5%
3	Company G	4,320	5.3%
4	Company H	1,880	2.3%
5	Company A	1,162	1.4%
	Top five subtotal	20,754	25.3%
	Others	61,246	74.7%
	Total revenue of building construction in Macau	82,000	100%

Remark:

1. Company E is a vertically integrated construction powerhouse, engaging in building construction and civil engineering operations as well as other peripheral operations such as foundation work, site investigation, mechanical and electrical engineering, highway and bridge construction, ready-mixed concrete, pre-cast production and infrastructure investment.

2. Company F is an international construction company, delivering solutions for tunnel, rail and road networks and renewable energy infrastructure.

3. Company G designs, builds and operates projects in the sectors of building, infrastructure and industry in more than 80 countries.

4. Company H is a Macau-based building construction contractor.

5. Company A is an integrated fitting-out contractors in Hong Kong and Macau, specialising in providing professional fitting-out works for residential property and hotel projects.

Source: Frost & Sullivan

Overview of Competitive Landscape of Fitting-out Market in Macau

The fitting-out market in Macau is competitive. With the booming construction market in Macau in recent years, the fitting-out industry in Macau has attracted the presence of both Hong Kong-based and Macau-based companies. As estimated, there are approximately 200 players in the fitting-out industry in Macau in 2018. The long-standing construction groups in Hong Kong provide comprehensive construction solutions, including fitting-out. With the firm foundation in Hong Kong, the Hong Kong-based construction groups have applied its proven expertise to Macau and other regions. The Hong Kong-based construction groups usually serve as the main contractors for the development of the hotels, casinos and other entertainment facilities and are appointed as the construction manager of many large scale projects in Macau. The strong track record and economies of scale enable the Hong Kong construction groups to gain a firm foothold in the Macau fitting-out industry. The local contractors have built connections between other contractors, clients and government institutions. Strong local partnership also allows the access to strong local networks and information that provides the local contractors with a competitive edge. The localised knowledge and regional expertise further smoothen the tendering process preparation, price negotiation and liaison with labour. Participation in regional networks and effective communication through the sharing of same values and cultures allows the Macau-based companies to have a more comprehensive understanding of the market development and industry know-how, thereby benefiting particularly collecting the requirements of clients and coordinating the stakeholders, including subcontractors, suppliers and government. In 2018, our Group recorded revenue of approximately MOP392.7 million, accounting for 4.4% of the market in terms of revenue and is the second largest fitting-out contractor in Macau in terms of revenue.

Ranking and Market Share of Leading Fitting-out Contractors by Revenue (Macau), 2018

Rank	Company	Estimated Revenue in 2018 *(MOP Million)*	Approximate Market Share *(%)*
1	Company A	1,162.0	13.1%
2	The Group	392.7	4.4%
3	Company B	326.3	3.7%
4	Company C	288.9	3.3%
5	Company D	219.0	2.5%
	Top five subtotal	2,388.9	26.9%
	Others	6,494.9	73.1%
	Total revenue of Fitting-out works in Macau	8,883.8	100.0%

Remarks:

1. Company A is an integrated fitting-out contractor in Hong Kong and Macau, specialising in providing fitting-out works for residential property and hotel projects.
2. Company B is a Macau-based fitting-out contractor, specialising in commercial segment.
3. Company C is a Macau-based contractor for construction works, including building, structure works, electrical & mechanical, drainage, fitting-out, repair and maintenance works.
4. Company D is a construction contractor with over 20 years of operation in Macau with focus on structural and fitting-out works.

Source: Frost & Sullivan

Entry Barrier

- ***Industry Expertise and Reputation***

Technical knowledge is one the key barriers for new market entrants of building construction and fitting-out industry as contractors and specialists generally have a strong understanding towards the whole workflow, from tile laying, brick laying, plastering, floor screed to marble works. Industry expertise combined with reputation act as the critical metrics in benchmarking the building construction and fitting-out companies who rely on the word-of-mouth in the industry. Being recognised and having a good reputation allows the companies to win trust of customers and other industry stakeholders, more importantly increases the possibilities of landing projects. Limited reputation and lack of reputation serve as the barrier to the new market entrants.

- ***Good Relationship with Clients***

In view of the competitive market, building construction and fitting-out companies usually have well-established client portfolios, including government, major casino operators and main contractors, in Macau. With the long-standing partnership with clients, some companies are on preferred tender lists of the aforementioned clients and are eligible for tender submission and quotation invitation. The good relationship with clients puts the companies at the competitive position to secure service contracts in Macau, in which the construction market is mainly driven by the gaming and tourism industry. Hence new entrants may need extra effort and time to acquire business from clients.

- ***Substantial Capital Investment***

Substantial capital investment is often required for making prepayment or deposits to suppliers and subcontractors and for providing performance bonds to customers. It is therefore difficult for new entrants to start and sustain their business without the necessary financial standing. In addition, early stage payments are incurred in hiring construction workers and sourcing raw materials. It is common to include financial requirement in the project contract in the fitting-out and building construction industry in Macau. For instance, the contractors are required to maintain cash and bank balance of an agreed amount in favour of the potential customer to secure the prepayments or provide bank guarantee of the same amounts to the potential customer as the working capital to carry out the bespoke projects.

A. MACAU LICENSING AND REGISTRATION REGIME OF ENGINEERING AND CONSTRUCTION WORKS

Construction/Foundation Works and Safety

The Construction/Foundation Works regime in Macau is mostly based on Decree Law no. 79/85/M ("General Construction Works Regulation"), Decree Law no. 24/95/M ("Fire Safety Regulation"), Decree Law no. 47/96/M ("Foundation Works Regulation"), and Decree Law no. 56/96/M ("Safety and Action in Building Structures and Bridges Regulation").

The General Construction Works Regulation establishes administrative rules governing the process of approval of projects, licensing and supervision of construction works to be carried out in Macau. For the purposes of this Regulation, the construction of new buildings, as well as reconstructions, restorations, repairs, modifications or expansions in existing buildings, demolitions of buildings and any further works that determine a change in topography and soil application infrastructures are considered "construction works". Pursuant to the said Regulation, a constructor, individual or corporate, must register with the DSSOPT, in order to carry out construction works (*execução de obras*) approved by the DSSOPT in Macau.

For each project of construction work, the general rule is that the interested parties must obtain from the DSSOPT the project approval and work licence but, for some categories of construction, such as (i) certain works to be taken place in non-residential unit, as long as such works in units no larger than 120 sq.m. that do not alter the use and the area of the units or structure of the building, nor affect the operation of the fire prevention system eventually existing in the units; and (ii) certain ordinary maintenance and repair works to be taken place in the interior of the common parts of the condominium-regime building (*edíficio em regime de propriedade horizontal*), as long as such works have been agreed to by more than one half of the condominium owners of the building or have been approved by the general assembly of the condominiums, the interested parties are only required to file a prior notice. In a particular instance, works to be taken place in the interior of a residential unit, as long as such works do not alter the use of the unit, the structure or the area, nor a change of entrance openings, walls, facades or windows, water supply or drainage network, the interested parties are exempted from filing such prior notice.

If prior notice is required, the interested parties shall notify the DSSOPT about the proposed project and the expected commencement and completion dates of the project, by filling out a specific form provided by the DSSOPT accompanied by a signed declaration of a contractor registered with the DSSOPT and other related documents required by the DSSOPT. Upon the verification of the above-mentioned documents, the DSSOPT shall affix a specific seal on the form and send it back to the interested parties. When conducting the project, the interested parties shall post the form in visible place at the project site.

If project approval and work licence are required, all construction projects, drafts and alterations shall be submitted to the DSSOPT by a technician registered with the DSSOPT. Once the project approval is obtained, the interested parties shall submit a declaration signed by a registered technician assuming the responsibility for the direction of the works and a declaration signed by the constructor assuming the responsibility for the execution of the works, in order to obtain the work licence.

If the main contractor has obtained such licence from the DSSOPT for the relevant works, sub-contractor(s) (including those incorporated in Hong Kong) as appointed by such main contractor are not required to obtain any licence from the relevant Macau authorities.

The Fire Safety Regulation provides a set of rules aimed at preventing and controlling fires. Under said Regulation, buildings should be compartmentalised by walls and floors that are fire resistant and hinder the spread of fire. Moreover, the construction material must have sufficient fire resistance in order to minimise the risk of collapse, particularly during the period of time required for the evacuation of people and the operations of firefighting.

The Foundation Works Regulation applies to the geotechnical aspects of foundation projects of buildings and other structures, taking into account requirements of strength, stability, functionality and durability of geotechnical structures. The Foundation Works Regulation should be interpreted in conjunction with the Safety and Actions in Building Structures and Bridges Regulation, which establishes the general criteria for safety and the methodologies used for its verification.

Under the Foundation Works Regulation, the following basic rules are of particular importance:

(a) the necessary data for the implementation of the project must be collected, recorded and interpreted appropriately;

(b) the foundation works must be designed by professionals with appropriate qualifications and experience;

(c) there must be continuity and adequate communication between those involved in the data collection, the project and the construction;

(d) there must be suitable supervision and quality control in factories, shipyards and construction sites;

(e) the construction must be performed in accordance with the relevant specifications, and by personnel with appropriate knowledge and experience;

(f) construction materials must be used as recommended in the Regulation or other normative documents and relevant specifications;

(g) the work must be adequately maintained;

(h) the work must be used for the purpose defined in the project.

The Safety and Action in Building Structure and Bridges Regulation establishes specific rules for verifying the safety of building structures, road bridges and footbridges, as well as other types of structures. The verification of the security of structures must be made in relation to limit states, by comparing them to the states to which the structure is driven by the performance of the actions to which it is subject. Limit states are defined as the state at which a structure is fully or partially impaired in its ability to perform the functions for which it was designed.

Law no. 1/2015 ("Regime of Qualification of Urban Construction and Urban Planning") establishes the legal regime applicable in the domain of urban construction and urban planning for the accreditation and registration for the obtaining the professional title of architect, landscape designer, engineer, or urban planner and the registration and qualification for executing the functions of project elaboration, project direction or project monitoring.

The execution of the functions of project elaboration, project direction or project monitoring can only be performed by duly registered technicians from private sectors, individual entrepreneurs and companies with at least one registered technician. For the purpose of registration, besides paying the registration fee of MOP6,600.00 (included stamp tax), the technicians from private sectors, individual entrepreneurs and companies with at least one registered technician must have a civil liability insurance covering the damages caused during the execution of the functions of project elaboration, project direction or project monitoring. The registration is valid until the end of the year following the year in which the registration was made.

In order for a company to renew its registration for the execution of the functions of project elaboration, project direction or project monitoring, it must maintain the civil liability insurance and registered technician and pay the renewal fees of MOP6,600.00 (included stamp tax). The renewal must be requested during the months of November and December of each subsequent civil year.

Requirements for Constructor Registration in Macau

According to the General Construction Works Regulation, in order to legally carry out construction works in Macau, a constructor, individual or corporate, must register with the DSSOPT. Moreover, the direction of any works carried out in Macau must be done by a technician also duly registered with the DSSOPT.

The DSSOPT is one of the public organisations under the Macau Government, providing technical support and giving suggestions for policy making related to Macau's physical development in the areas of land management and utilisation, urban planning, infrastructures, and basic services. Concerning construction work, the DSSOPT promotes coast protection, conservation and maintenance, infrastructure and sanitation network development, public building and monument construction, and licensing for urban buildings and the utilisation of electrical installations.

1. Registration procedure

The procedure for the registration of a constructor with the DSSOPT, provided for in Articles 9 and 10 of the General Construction Works Regulation, is as follows:

1. A written request for the registration of a constructor must be submitted to the Director of the DSSOPT, accompanied by a list of the technical means at the constructor's disposal, as well as by a list of the construction works previously carried out, and also a declaration made by a technician registered with the DSSOPT, who declares to be the responsible technician of the constructor. The qualifications of the constructor shall be assessed based on the documents submitted to the DSSOPT.

2. In case the registration request is accepted, a registration fee, currently in the amount of MOP6,600.00 (six thousand and six hundred Patacas), must be paid within ten days of the date of the notification of acceptance of the registration.

The registration as a constructor with the DSSOPT is valid for a period of one year, i.e., until the end of the civil year in which it was requested, and its renewal must be requested during the month of January of each subsequent civil year. Failure to comply with this deadline will result in the expiration of the registration as constructor with the DSSOPT.

The process of renewal of a registration with the DSSOPT normally takes around 15 (fifteen) working days counted from the submission by the applicant of all the required documents for that purpose, which are the same as those submitted upon registration as a constructor.

The DSSOPT will maintain an updated individual file of every registered entity which will include (a) the individual's full name and respective domicile or, if a corporate entity, its business name and articles of association and or registered address; (b) the documentation revealing professional qualifications and expertise; (c) specimen signatures containing the full and abbreviated names adopted, which, in the case of corporate entities, will be those of the directors who have legal capacity to bind the company; and (d) the indication of occurrences relating to projects directed by technicians, or occurrences relating to works carried out by construction companies.

The change of domicile or registered address of an entity registered with the DSSOPT must be communicated to the DSSOPT within eight days counting from said change.

2. Registration requirement of Constructor

For a company to be registered as a constructor with the DSSOPT, its qualifications shall be assessed based on the documents submitted to the DSSOPT, namely the list of the technical means at the constructor's disposal, as well as the list of the construction works previously carried out.

3. Registered technician

For each project, the constructor should have an employee or non-employee technician responsible for the works, who must also be registered as such with the DSSOPT. The qualifications of the applicant technician shall be assessed based on the documents submitted to the DSSOPT at the time of registration, namely a professional certificate and a declaration under oath regarding the observation and fulfilment of regulatory and technical provisions applicable to technicians responsible for works.

The technician in charge of a project may renounce his role at any time, as long as he/she communicates that fact in writing to the DSSOPT. However, such technician will be responsible and liable for the works carried out until the date of the resignation.

4. Job experience of constructor

There are no specific requirements for the job experience of a constructor.

B. LAWS AND REGULATIONS IN RELATION TO LABOUR, HEALTH AND SAFETY

The legal regime of labour matters in Macau is developed based on Law no. 4/98/M ("Framework Law on Employment Policy and Worker's Rights") which prescribes general principles and directions of labour legislations in different aspects. Besides the above legislations, Law No. 7/2008 ("Labour Relations Law") plays an important role in labour legal regime which came into force since 1 January 2009 replacing the "old labour law" Decree Law No. 24/89/M.

The Law no. 7/2008 ("Labour Relations Law") establishes the general regime of labour relations, containing various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation in case of contract termination without justifiable cause. The regulatory authority in charge of monitoring compliance with the labour, safety and insurance regime is the DSAL, in general, and the DSSOPT with respect to construction sites, in particular.

As an employer, a contractor (whether or not it is incorporated in Macau) shall have to comply with the conditions prescribed under Decree Law no. 44/91/M ("General Regulation of Working Safety and Hygiene in the Construction Industry") and Decree Law no. 34/93/M ("Legal Regime of Noise at Work"), in order to provide a safe, clean and environmentally friendly working conditions for the employees. Failure to comply with those rules may result in the application of fines, according to the provisions set out by Decree Law no. 67/92/M ("Sanctionatory Regime for the Non-Compliance with the Regulation of Work Safety and Hygiene of Civil Construction of Macau") and Decree Law no. 48/94/M ("Sanctionatory Regime for the Non-Compliance with the Legal Regime of Noise at Work").

Regarding the working environment in general, an employer must comply with the rules provided under Decree Law no. 37/89/M ("General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishments"), in order to provide a safe and clean working environment for its employees. Failure to comply with those rules may result in the application of fines to the employer, according to the provisions set out by Decree Law no. 13/91/M (sanctions for the non-compliance with the General Regulation of Working Safety and Hygiene of Office, Service and Commercial Establishments).

All employees of a contractor (whether or not it is incorporated in Macau) who works in Macau have to be Macau residents, non-permanent or permanent, or to be holders of working permits in case of foreign workers. Except for situations stated under Administrative Regulation no. 17/2004 ("Regulation regarding the prohibition of illegal work") partially revoked by Law no. 21/2009 ("Law for the Employment of Non-Resident Workers") with a very limit scope, workers other than those abovementioned will be considered as illegal workers in Macau and the employers will be criminally liable under Law No. 6/2004 ("Law for Illegal Immigration and Expulsion"), altered by Law no. 21/2009, and subject to an administrative fine of up to MOP20,000.00 per employee under the above-mentioned administrative regulation.

Regarding the employment of foreign labour, it is important to note that non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of such workers is subject to strict regulations included in the Law for the Employment of Non-Resident Workers, which sets forth the terms for granting and renewing work permits for non-resident workers, determines measures to ensure the equal treatment of Macau resident and non-resident workers and establishes minimum contract terms and limits on the duration of employment contracts with non-resident employees.

Non-compliance with the rules included in the Law for the Employment of Non-Resident Workers may constitute administrative offences, sanctioned with fines and accessory sanctions of revocation of all or part of the authorizations to employ non-resident workers along with the prohibition to request new authorizations for a period of six months to two years, and/or criminal offences related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions of (i) revocation of all or part of the authorizations to employ non-resident workers and the prohibition for a period of six months to two years to request new authorizations; (ii) prohibition, for a period of six months to two years, to participate in public tenders related to public works or public concessions; and (iii) prohibition, for the period of six months to two years, to receive any subsidies or benefits conferred by Macau public entities.

In relation to the issue of illegal workers in Macau, only the party who is directly responsible for the employment of illegal workers in Macau shall have criminal or administrative liability under Macau laws.

As stipulated under Law no. 4/2010 ("Social Security Regime") and Decree Law no. 40/95/M ("Legal Regime of Compensation of Damages Caused by Industrial Accidents and Occupational Diseases"), a contractor (whether or not it is incorporated in Macau) has to participate and contribute to the mandatory social security funds and to purchase compulsory industrial accident insurance for its Macau employees in accordance with relevant applicable legislation, otherwise, an administrative fine of up to MOP1,333 and MOP6,250, respectively will be charged as legal sanction.

Pursuant to Decree Law no. 40/95/M ("Legal Regime of Compensation of Damages Caused by Industrial Accidents and Occupational Diseases", also known as "Employees' Compensation Insurance Ordinance"), employers must provide industrial accident insurance for its employees. In case the employer fails to provide such insurance, fines may be charged as legal sanction.

The regulatory authorities in charge of labour safety, social security regime and insurance matters are the Macau Labour Affairs Bureau (澳門勞工事務局), Social Security Fund of Macau (澳門社會保障基金) and Monetary Authority of Macau (澳門金融管理局) respectively.

In addition, Law no. 3/2014 ("Regime of Occupational Safety Card in Civil Construction") requires all individuals who participate in the execution of works on construction sites or in places where there will be construction works, regardless if they are employers or not, to hold an valid occupational safety card, issued by the DSAL.

Failure to comply with such requirement, an employee is punishable with an administrative fine of MOP 500 and the employer is punishable with an administrative fine from MOP1,500 to MOP7,500 for each instance of violation.

C. LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

The guidelines and fundamental principles governing environmental policy in Macau are set out in Law no. 2/91/M, dated 11 March 1991 ("Macau Environmental Law"), which seeks to enhance the protection and sustainable development of the environment. As a general principle, the Macau Environmental Law prescribes that everyone has the right to an ecologically balanced environment, as well as the duty to collectively promote an improved quality of life.

In order to achieve this goal, all projects and constructions which may affect the environment or the health of citizens must be subject to a preliminary study of environmental impact. Moreover, the Macau Environmental Law prescribes that violations of the environmental legislation will be punished with civil liability, administrative fines or criminal liability (Article 268 of the Macau Criminal Code prescribes pollution-related crimes), depending on the degree of the violation in question. Also injunctions may be granted in order to cease environmental infringements. The regulatory authority in charge of monitoring environmental protection matters is the Environment Protection Services Bureau. However, police authorities are also legally entitled to impose preventive measures with respect to time period restrictions.

Concerning noise pollution in particular, Law no. 8/2014 establishes rules on prevention and control of environmental noise pollution and sets noise limits. Pursuant to this Law, the use of pile-driving hammers is not allowed on Sundays and on holidays, as well as between 7 p.m. and 9 a.m. on weekdays. Moreover, the use of mechanical equipment, fixed or mobile, in construction works less than 200 metres from residential buildings and hospitals is prohibited on Sundays and on holidays, as well as between 8 p.m. and 8 a.m. on weekdays.

Regarding water and marine pollution, in particular, Decree Law no. 46/96/M defines the technical conditions that must be satisfied in order to ensure the global functioning of the public water distribution system, the preservation of public health, and the safety firefighting water installations, whereas Decree Law no 35/97/M provides for the protection of the marine environment from pollution. The latter further prohibits the discharge of any solid or liquid residues, in particular petroleum or chemical substances, which may contaminate marine water, beaches or coastal areas and affect their flora and fauna wildlife.

HISTORY OVERVIEW

Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong were acquainted with each other when they were studying at the Huaqiao University (華僑大學) in Quanzhou City, Fujian Province of the PRC since September 1998, through their shared interest in architecture and civil engineering. After graduation, Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong together founded our Group with the incorporation of AD&C in November 2003 by paying up the registered capital of MOP28,000 in equal shares with their personal savings accumulated from casual or part-time work, so as to capitalise on the entrepreneurial opportunities presented by the volatile economic climate. During the initial stage of AD&C, our founders confirm that they mainly focused on design and small-scale repair works, which did not require large sum of start-up fund or capital investment. The income generated from such works allowed our founders to maintain the basic operation of AD&C under a small sum of registered capital during the initial stage. AD&C was registered with the DSSOPT to carry out construction works in 2005.

We began to develop our network in Macau between 2005 to 2009. AD&C was awarded our first fitting-out project in public sector in September 2009. Q.F. Stone was set up in February 2008 with a view of undertaking stone fitting-out projects and S.J. Construction was formed in January 2012 in light of the demand of our fitting-out works.

Our Directors consider that, leveraging on our expertise in fitting-out works and reputation in the Macau civil engineering industry, we were awarded our first construction contract for a public-sector customer in October 2012, and this marked the start of our business expansion into the construction field. With a view of capturing the demand of our services in the Macau construction industry, Huarchi Global was set up in June 2014 and was specialised in private-sector fitting-out and construction works. In about May 2015, we undertook our first contract providing one-stop design and construction works for a restaurant project.

Throughout our Group's operating history, our Directors believe that we have built a good reputation and proven track record in the fitting-out and construction industry in Macau. We have successfully developed strong customers' portfolio in public sector and established business relationship with our customers including Macau government, statutory bodies and main contractors. Our Group was, in terms of revenue, the second largest fitting-out contractor in Macau in 2018 with market share of approximately 4.4%, according to the Frost & Sullivan Report. Looking forward, we aim at offering high-quality fitting-out and construction works and further enhancing our range and capability in providing a cost-effective one-stop solution to our customers.

BUSINESS HISTORY

Set forth below is a chronological overview of the key milestones in the development of our business:

Date	Event/milestones
2003	AD&C was incorporated in Macau
2005	AD&C was registered with the DSSOPT to carry out construction works
2008	Q.F. Stone was incorporated in Macau
2009	AD&C was awarded our first fitting-out project in public sector
2010	AD&C received the bronze award of The Best Occupational Health and Safety Contractor in Fitting-out and Maintenance Works under 2010 Construction Safety Award Scheme organised by the DSAL
2011	AD&C completed a fitting-out project for a new government building in the sum of about MOP69.7 million
2012	S.J. Construction was incorporated in Macau and registered with the DSSOPT to carry out construction works
	Our Group was awarded its first construction project in public sector, which marked our expansion of business into the construction field
2013	Q.F. Stone was registered with the DSSOPT to carry out construction works
	F.J.G. was incorporated in Macau
2014	Q.F. Stone was subcontracted a plastering project for Macau public housing construction with contract sum of about MOP50 million
	Huarchi Global was incorporated in Macau and registered with the DSSOPT to carry out construction and design works
2015	Huarchi Global entered into a restaurant project in which our Group provided one-stop design and construction works
	AD&C secured our first private-sector construction project
2016	F.J.G. was dissolved
	Huarchi Global commenced a boutique fitting-out project for a residential clubhouse
2017	Huarchi Global was registered with the DSSOPT for the execution of function of project elaboration
2018	S.J. Construction was subcontracted a multi-purpose sports ground renovation project in the sum of about MOP88.0 million

CORPORATE HISTORY

Our Group comprises of our Company, four directly wholly-owned BVI intermediate subsidiaries and four indirectly wholly-owned operating subsidiaries in Macau (the "**Macau Operating Subsidiaries**").

The particulars of our Company and our Macau Operating Subsidiaries as at the Latest Practicable Date are set out below:

Name of the company	Principal business activities	Target group of customers	Date of incorporation and commencement of business (as the case may be)	Directorship
Huarchi Global Group Holdings Limited (華記環球集團控股有限公司)	Investment holding	Not applicable for an investment holding vehicle	20 June 2017	Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong
AD&C	Undertaking construction projects, carrying out interior projects and providing design consultancy services	Public sector customers	11 November 2003	Mr. Lou *(Note)*
Huarchi Global	Undertaking construction projects, carrying out interior design projects and providing design consultancy services	Private sector customers (but also undertaking design projects from customers in both public and private sectors)	10 June 2014	Mr. Lou, Mr. Chang and Mr. Ao
Q.F. Stone	Sale and purchase of construction materials and undertaking stone fitting-out projects	Public and private sector customers (focusing on projects in relation to stone, marble and plastering works)	13 February 2008	Mr. Lou *(Note)*
S.J. Construction	Undertaking construction and fitting-out projects	Private sector customers	18 January 2012	Mr. Lou *(Note)*

Note: Mr. Chang and Mr. Ao are the managers of AD&C, Q.F. Stone and S.J. Construction. They were granted managerial powers under a power of attorney executed by each of AD&C, Q.F. Stone and S.J. Construction, including the power to (i) represent as their directors; and (ii) perform and execute any acts of management in accordance with the terms provided therein and the applicable Macau laws.

The Macau Legal Adviser has confirmed that (i) the appointments of Mr. Chang and Mr. Ao as the managers of AD&C, Q.F. Stone and S.J. Construction have been properly carried out in accordance with Macau laws; and (ii) the powers of attorney are valid under Macau laws.

Shareholding changes in relation to Mr. Chan Leong

In 2008, our Group embarked on a business initiative to improve the design capabilities of our Group. As such, Mr. Chan Leong ("**Mr. Chan**") (who is the university colleague of our founders) was invited to set up Q.F. Stone in February 2008 and Mr. Chan was appointed as a director of Q.F. Stone. In January 2014, Mr. Chang and Mr. Leong together transferred 20% interest in AD&C to Mr. Chan as our Group's incentive for him to explore more business opportunities on design projects and Mr. Chan was appointed as a director of AD&C.

In January 2016, in order to take on a wider variety of design projects and focus exclusively on his architectural career (instead of being involved in management and operations of the construction and fitting-out projects of our Group), Mr. Chan resigned from our Group and disposed of his shares in AD&C and Q.F. Stone. The table below sets out the particulars of Mr. Chan's past shareholdings in our Group:

Name of subsidiary	Date of acquisition or disposal (and also date of settlement)	Number of shares (percentage of registered capital)	Transferor	Transferee	Consideration
Acquisition of interest					
Q.F. Stone	13 February 2008	one quota of MOP12,500 (50%)	Shares were paid up and issued to Mr. Chan at the incorporation of Q.F. Stone		MOP12,500
AD&C	13 January 2014	one quota of MOP4,000 (4%)	Mr. Chang	Mr. Chan	MOP4,000
AD&C	13 January 2014	one quota of MOP16,000 (16%)	Mr. Leong	Mr. Chan	MOP16,000
Disposal of interest					
AD&C	22 January 2016	one quota of MOP20,000 (20%)	Mr. Chan	Mr. Lou	MOP20,000
Q.F. Stone	22 January 2016	one quota of MOP12,500 (50%)	Mr. Chan	Mr. Lou	MOP12,500

Taking into account the fact that (i) Mr. Chan acquired his incentive shares in AD&C and Q.F. Stone on par value; and (ii) Mr. Chan's contribution to our Group on design projects was considered as minimal, since the aggregate contract sum on design projects only amounted to less than 1% of the total revenue for the years ended 31 December 2014 and 2015, Mr. Chan had agreed with our founders to dispose of his shares on par value so that he would not be awarded or benefited from his past shareholdings in our Group.

Other shareholding changes in our Macau Operating Subsidiaries during the Track Record Period

AD&C was incorporated by Mr. Lo, Mr. Chang, Mr. Ao and Mr. Leong in November 2003 with a view of undertaking projects from public sector. Our founders had aligned their shareholding interests in AD&C back in January 2014. By that time, Mr. Chan also joined AD&C in order to explore business opportunities on design projects. For details of the shareholding changes about Mr. Chan in our Macau Operating Subsidiaries, please refer to the paragraph headed "Shareholding changes in relation to Mr. Chan Leong" in this section above.

Subsequent to the incorporation of AD&C, Q.F. Stone was set up in February 2008 by Mr. Ao and Mr. Chan with a view of specialising in fitting-out projects in relation to stone, marble and plastering works. S.J. Construction was formed in January 2012 by Mr. Lou and Mr. Ao with a view of specialising in small scale projects from private sector. Huarchi Global was set up in June 2014 by Mr. Lou, Mr. Leong and Mr. Chang with a view of specialising in fitting-out and construction projects from private sector as well as design projects. As advised by our Directors, these subsidiaries were set up under different mix of our Controlling Shareholders at the material times so as to maximise our business opportunities by relying on the industry experiences and expertise of the relevant Shareholders.

In January 2016, for the purpose of (i) streamlining our Group's structure before conducting the Reorganisation; (ii) preparation for the [**REDACTED**]; and (iii) inclusion of the financial positions of Q.F. Stone, S.J. Construction and Huarchi Global into our Group, our founders entered into various share transfers among themselves and/or share subscriptions in our Macau Operating Subsidiaries on par value so that the interest of Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong in each of our Macau Operating Subsidiaries would be aligned to 40%, 20%, 20% and 20% respectively (the "**Shareholding Alignment**"). The tables below set out the relevant particulars of the shareholding changes in relation to the Shareholding Alignment.

Huarchi Global

Date of share transfer (and also date of settlement)	Number of shares (percentage of issued capital)	Transferor	Transferee	Consideration
22 January 2016	600 (6%)	Mr. Chang	Mr. Lou	MOP60,000
22 January 2016	600 (6%)	Mr. Chang	Mr. Ao	MOP60,000
22 January 2016	1,400 (14%)	Mr. Leong	Mr. Ao	MOP140,000

Q.F. Stone

Date of share subscription (and also date of settlement)	Subscriber	Number of shares subscribed in the quota	Number of shares in the quota after the subscription (percentage of registered capital)	Consideration
22 January 2016	Mr. Lou	MOP35,500	MOP48,000 (40%)	MOP35,500
22 January 2016	Mr. Chang	MOP11,500	MOP24,000 (20%)	MOP11,500
22 January 2016	Mr. Ao	MOP24,000	MOP24,000 (20%)	MOP24,000
22 January 2016	Mr. Leong	MOP24,000	MOP24,000 (20%)	MOP24,000

S.J. Construction

Date of share subscription (and also date of settlement)	Subscriber	Number of shares subscribed in the quota	Number of shares in the quota after the subscription (percentage of registered capital)	Consideration
22 January 2016	Mr. Lou	MOP35,500	MOP48,000 (40%)	MOP35,500
22 January 2016	Mr. Chang	MOP24,000	MOP24,000 (20%)	MOP24,000
22 January 2016	Mr. Ao	MOP11,500	MOP24,000 (20%)	MOP11,500
22 January 2016	Mr. Leong	MOP24,000	MOP24,000 (20%)	MOP24,000

Set out below are the shareholding structures of our Macau Operating Subsidiaries immediately before and after the Shareholding Alignment on 22 January 2016.

Huarchi Global

Percentage of shareholding	Mr. Lou	Mr. Chang	Mr. Ao	Mr. Leong
before the Shareholding Alignment	34%	32%	nil	34%
after the Shareholding Alignment	40%	20%	20%	20%

AD&C

Percentage of shareholding	Mr. Lou	Mr. Chang	Mr. Ao	Mr. Leong	Mr. Chan
before the Shareholding Alignment	20%	20%	20%	20%	20%
after the Shareholding Alignment	40%	20%	20%	20%	nil

Q.F. Stone

Percentage of shareholding	Mr. Lou	Mr. Chang	Mr. Ao	Mr. Leong	Mr. Chan
before the Shareholding Alignment	nil	50%	nil	nil	50%
after the Shareholding Alignment	40%	20%	20%	20%	nil

S.J. Construction

Percentage of shareholding	Mr. Lou	Mr. Chang	Mr. Ao	Mr. Leong
before the Shareholding Alignment	50%	nil	50%	nil
after the Shareholding Alignment	40%	20%	20%	20%

Save as disclosed above, there had been no change to the shareholding structure of our Group during the Track Record Period. For further changes to our shareholding structure in connection with the Reorganisation, please refer to the paragraph headed "Reorganisation" below in this section.

Arrangement of collective management decision in our Group

Starting from 13 January 2014, AD&C has been jointly held by and under the collective management of Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong. They have (i) consulted each other and engaged in discussions in respect of the operation, financial management and decision-making of AD&C; (ii) acted in concert and collectively on all material issues and decisions in relation to the business operation of AD&C; and (iii) managed AD&C for the entire interest of all founders.

Subsequent to the Shareholding Alignment, Huarchi Global, Q.F. Stone and S.J. Construction have been jointly held by and under the collective management of Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong. They have (i) consulted each other and engaged in discussions in respect of the operation, financial management and decision-making of Huarchi Global, Q.F. Stone and S.J. Construction; (ii) acted in concert and collectively on all material issues and decisions in relation to the business operation of the said subsidiaries; and (iii) managed the said subsidiaries for the entire interest of all founders.

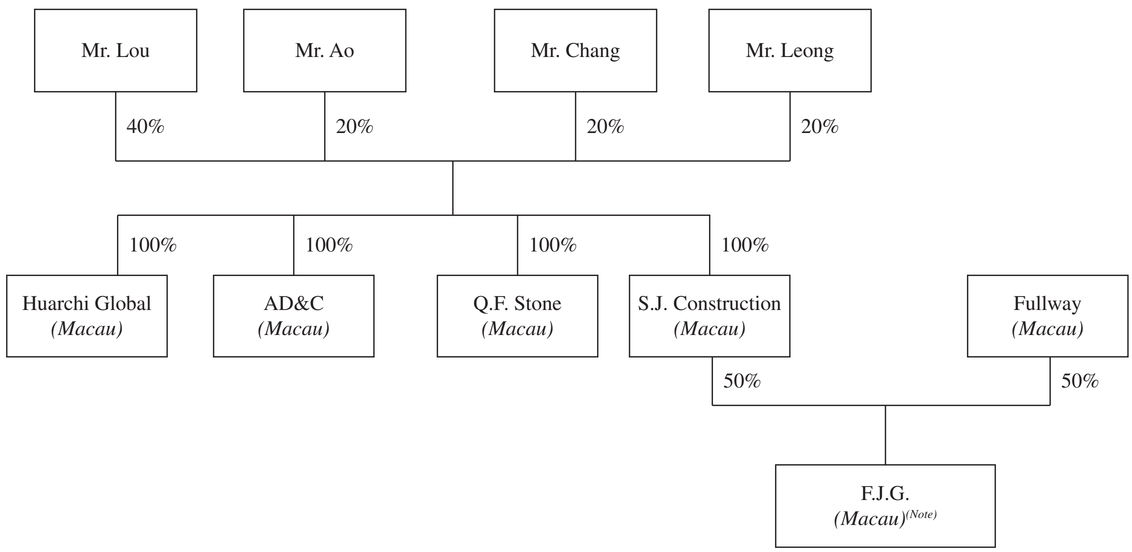
Regarding the consultation and discussion process among our Controlling Shareholders, they will generally meet up periodically to discuss the operational and financial issues of our Group, and report any issues encountered during their course of works, which include but not limit to the aspects of tendering activities, project implementation, legal compliance, cashflow and liquidity positions, internal controls and future development. Our Controlling Shareholders, with the support of our senior management, will consider the issues, identify possible solutions and decide on the solutions or measures to be adopted by our Group. For the decision-making mechanism, our Controlling Shareholders generally discuss and try to reach consensus among themselves on all resolutions and decisions. Once our Controlling Shareholders have reached a collective management decision, they will act collectively to implement the decision in the business operations and management of our Macau Operating Subsidiaries for the interest of our Controlling Shareholders as a whole.

Unless otherwise agreed among our founders, our Group will remain under the collective management of Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong. They (i) will continue to consult each other and engage in discussions in respect of the operation, financial management and decision-making of our Group; (ii) will act in concert and collectively on all material issues and decisions in relation to the business operation of our Group; (iii) will manage our Group for the entire interest of all founders; and (iv) will not dispose of their shareholding and/or interests in any entity within our Group (the "**Non-disposal Agreement**") unless with the prior written consent of all the other founders.

Our Directors further confirm that, save as the Non-disposal Agreement mentioned above, each of Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong (who are the ultimate beneficial owners of the Shares in our Company), has not entered into any agreement or understanding (either with the pre-[**REDACTED**] investors or any other person) in relation to their holding of Shares in our Company or the voting rights or economic return attached to such Shares.

REORGANISATION

The following chart sets out the structure of our Group immediately before the Reorganisation:



Note: F.J.G. was dissolved on 16 March 2016.

Dissolution of F.J.G.

F.J.G. was incorporated on 8 July 2013 with a registered capital of MOP100,000, which was owned as to 50% by each of S.J. Construction and Fullway respectively. F.J.G. was a business vehicle for a restaurant fitting-out project which commenced in October 2013. The project did not complete eventually and, as confirmed by our Directors, F.J.G. had not entered into any business operation since November 2013. Having no intention to carry out any business in the future, S.J. Construction and Fullway together passed a shareholder's resolution to dissolve F.J.G. on 16 March 2016.

The Macau Legal Adviser has confirmed that (i) F.J.G.'s dissolution and extinction was followed by the cancellation of registration with the Macau Commercial and Movable Properties Registry; (ii) F.J.G. is no longer a legal person or capable to enter into any legal relationship as its legal entity was duly dissolved in accordance with Macau laws; and (iii) no liability is attributable to our Group in respect of the operations of F.J.G. upon its dissolution.

Incorporation of the offshore holding vehicle

Our Group underwent the following major Reorganisation steps in preparation for the [**REDACTED**], pursuant to which our Company became the holding company of our Group:

(1) On 15 June 2017, Seong Wa was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US$1.00 each. On 15 June 2017, each of Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong was allotted and issued at par 40, 20, 20 and 20 fully paid ordinary shares respectively.

(2) On 20 June 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 per Share. The subscriber to the Memorandum and Articles of Association was allotted and issued one fully paid Share. The subscriber Share was subsequently transferred to Seong Wa on the same day. On 20 June 2017, 999 Shares were allotted and issued at par to Seong Wa. Thereafter, Seong Wa owned 1,000 Shares.

(3) On 21 June 2017, each of Wah Kee, Wah Luen, Kwan Fung and Sheung Kee (together the "**BVI Intermediate Companies**") was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US$1.00 each. On 21 June 2017, Seong Wa was allotted and issued at par 100 fully paid ordinary shares of each of the BVI Intermediate Companies.

(4) On 4 January 2018, Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong together transferred their entire registered capital of our Macau Operating Subsidiaries to Wah Kee, Wah Luen, Kwan Fung and Sheung Kee respectively, in consideration of the BVI Intermediate Companies allotting and issuing new shares to Seong Wa. Thereafter, the Macau Operating Subsidiaries became wholly-owned subsidiaries of the BVI Intermediate Companies. *(Note)*

Note: The Macau Commercial Code (the "**MCC**") in force at the material time requires different types of Macau corporate vehicles to have a specified minimum number of shareholders. AD&C, Q.F. Stone and S.J. Construction were incorporated as private limited liability companies by quotas and each is therefore required to have a minimum of two registered shareholders under Article 358 of the MCC. Similarly, as a public company by shares, Huarchi Global is required to have a minimum of three registered shareholders under Article 393 of the MCC.

In order to comply with the said minimum shareholder requirements under the MCC, the following powers of attorney were executed on 18 January 2018 for step (4) of the Reorganisation whereby the below BVI Intermediate Companies granted all their powers and rights in relation to the following interest in the below Macau Operating Subsidiaries to the respective grantees:

Legal owner of interest (the "Grantor")	**Interest in the Macau Operating Subsidiaries (the "Interest")**	**Beneficial owner of interest – person in whose favour the power of attorney was granted (the "Grantee")**
Kwan Fung	1% of the registered capital of Huarchi Global	Wah Kee
Sheung Kee	1% of the registered capital of Huarchi Global	Wah Kee
Wah Kee	1% of the registered capital of AD&C	Wah Luen
Wah Kee	1% of the registered capital of Q.F. Stone	Kwan Fung
Wah Kee	1% of the registered capital of S.J. Construction	Sheung Kee

As confirmed by our Macau Legal Adviser, the above powers of attorney constitute irrevocable acts and cannot be revoked by the Grantor without the respective consent of the Grantee. Under these powers of attorney, the Grantee will have control over all the social rights associated with the respective Interest, and each of the Grantee will therefore have the beneficial ownership over their respective Interest.

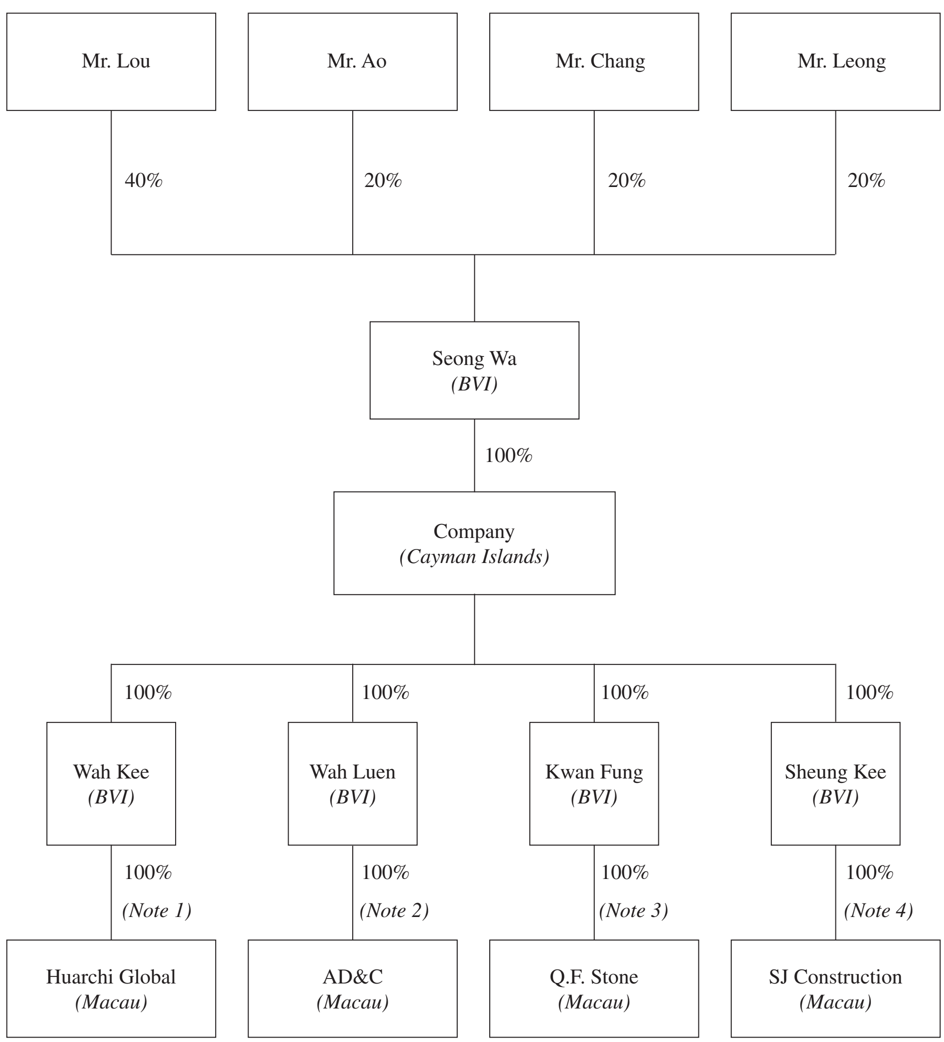
Based on the above, the BVI Intermediate Companies would beneficially own the entire registered capital of all Macau Operating Subsidiaries after execution of the above powers of attorney.

(5) On 22 January 2018, Seong Wa transferred the entire issued share capital of each of the BVI Intermediate Companies to our Company in consideration of our Company allotting and issuing new Shares to Seong Wa.

Immediately after completion of the share transfers referred to in step (5) above, our Company became the holding company of our Group.

Our Macau Legal Adviser has advised that the Reorganisation steps taken above are in compliance with the applicable Macau laws and regulations.

The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the [**REDACTED**] and the [**REDACTED**]:



Notes:

1. Huarchi Global is legally owned as to 98% by Wah Kee, 1% by Kwan Fung and 1% by Sheung Kee. On 18 January 2018, each of Kwan Fung and Sheung Kee executed an irrevocable power of attorney in favour of Wah Kee granting all its powers in relation to (a) the social rights; and (b) its respective shares of MOP10,000 in Huarchi Global, including the powers to enable Wah Kee as the attorney to assign each of Kwan Fung's and Sheung Kee's respective shares of MOP10,000 into its own name, and hence Wah Kee beneficially owns the entire registered capital of Huarchi Global.

2. AD&C is legally owned as to 99% by Wah Luen and 1% by Wah Kee. On 18 January 2018, Wah Kee executed an irrevocable power of attorney in favour of Wah Luen granting all its powers in relation to (a) the social rights; and (b) its quota of MOP1,000 in AD&C, including the powers to enable Wah Luen as the attorney to assign Wah Kee's quota of MOP1,000 into its own name, and hence Wah Luen beneficially owns the entire registered capital of AD&C.

3. Q.F. Stone is legally owned as to 99% by Kwan Fung and 1% by Wah Kee. On 18 January 2018, Wah Kee executed an irrevocable power of attorney in favour of Kwan Fung granting all its powers in relation to (a) the social rights; and (b) its quota of MOP1,200 in Q.F. Stone, including the powers to enable Kwan Fung as the attorney to assign Wah Kee's quota of MOP1,200 into its own name, and hence Kwan Fung beneficially owns the entire registered capital of Q.F. Stone.

4. S.J. Construction is legally owned as to 99% by Sheung Kee and 1% by Wah Kee. On 18 January 2018, Wah Kee executed an irrevocable power of attorney in favour of Sheung Kee granting all its powers all in relation to (a) the social rights; and (b) its quota of MOP1,200 in S.J. Construction, including the powers to enable Sheung Kee as the attorney to assign Wah Kee's quota of MOP1,200 into its own name, and hence Sheung Kee beneficially owns the entire registered capital of S.J. Construction.

PRE-[REDACTED] INVESTMENTS

(i) Ace Hope Pre-[REDACTED] Investment

Ace Hope entered into a share subscription agreement with our Company (the "**Ace Hope Pre-[REDACTED] Investment**"), details of which are set out below:

Name of pre-[**REDACTED**] *investor:*	Ace Hope Investments Limited (領希投資有限公司)
Background of pre-[**REDACTED**] *investor:*	Ace Hope is an investment holding company incorporated in the BVI on 2 August 2017 and is wholly owned by Ms. Chen Qingling ("**Ms. Chen**"), an Independent Third Party. Ms. Chen is a PRC resident with business in the textile and garment industry in Guangdong Province of the PRC. As represented by Ms. Chen, she had accumulated more than ten years of experience in manufacturing and trading of causal wear through her personal work experience and running a garment company with more than 300 employees in Dongguan City.

As represented by Ms. Chen, she was acquainted to Mr. Chan (a past director and shareholder of our Group) as a childhood friend in about late 1980's. Mr. Chan was acquainted with our four founders for more than 20 years when they entered into the Huaqiao University in September 1998. He is registered with the DSSOPT as a technician for project elaboration, and engages in design business in Macau and the PRC. Mr. Chan was once invited to join our Group in February 2008 to improve our design capabilities. For details of Mr. Chan's past shareholdings and directorships in our Group, please refer to the paragraph headed "Corporate History – Shareholding changes in relation to Mr. Chan Leong" in this section above.

According to the Frost & Sullivan Report, due to the labour shortage in Macau, it is a common practice for the fitting-out and construction industries in Macau to recruit non-resident workers. In light of the increasing demand of our fitting-out works since 2012, our Group was in the need of locating reliable supply and source of quality non-resident workers for project implementation (i.e. workers from the PRC). Mr. Chan, who by then had established own design business in the PRC, offered to assist our Group based on his personal and business network in the PRC.

In 2014, understanding that (i) Ms. Chen had experience in management and operation of labour-intensive garment business in the PRC; and (ii) Ms. Chen had established connection with a network of human resource agencies in the PRC for sourcing quality workers, Mr. Chan organised a dinner in Zhongshan City to introduce Ms. Chen for meeting with Mr. Ao, so that our Group may explore Ms. Chen's capability in sourcing quality PRC workers for our business operation.

Leveraging on Ms. Chen's connection and reference of source of PRC workers, our Group sourced sufficient foreign workers from the PRC for undertaking various public-sector fitting-out and construction projects during the Track Record Period. Having regard to (i) Ms. Chen's strategic benefit to our Group in terms of sourcing foreign workers for maintaining the business operation; (ii) the anticipated demand of workers after the [**REDACTED**] and implementation of our future plans; and (iii) our Directors' trust and confidence in Ms. Chen (who was introduced by Mr. Chan with more than 20 years of friendship with our founders), our Group invited Ms. Chen to become our pre-[**REDACTED**] investor in about August 2016 when our Group decided to kick-start with the [**REDACTED**] application, and started to negotiate with her about the terms of pre-[**REDACTED**] investment.

Having regard to (i) the increasing staff and operating costs in the PRC textile and garment industry; and (ii) the relatively high level of tax imposed by the PRC government, Ms. Chen decided to seek investment opportunities for her personal wealth outside the textile and garment industry. Ms. Chen invested in our Group taking into account (i) our prospects in the fitting-out and construction industry in Macau; and (ii) the future economic growth of Macau.

Date of agreement:	26 January 2018
Consideration:	HK$9,600,000
Number of Shares subscribed:	124 (additional 1,116 Shares were allotted and issued to Ace Hope on 1 February 2018 for the purpose of the Reorganisation)
Basis of determination of consideration:	Based on arm's length negotiation at approximately 4 times of price-earnings ratio of our Group's net profits for the year ended 31 December 2016
Payment date of consideration:	The consideration was settled by cash on 31 January 2018.

Financial capacity and financing arrangement:

Our Directors confirm that, Ms. Chen had sufficient financial capacity to invest in our Group. However, as represented by Ms. Chen, she financed her pre-[**REDACTED**] investment in our Group by short-term loans provided by a private company incorporated in Macau which was Subcontractor I as referred to the section headed "Business – Subcontractors – Major subcontractors" because her personal financial assets were kept in the PRC.

As represented by Ms. Chen and our Directors, Ms. Chen was acquainted to the shareholders of Subcontractor I through the introduction by one of our Directors, Mr. Lou. As confirmed by our Directors, they have a long acquaintance with one of the shareholders of Subcontractor I through their own business network in the industry. Knowing that Subcontractor I intended to source PRC workers to work on a project newly engaged by the Group as a subcontractor, Mr. Lou introduced Ms. Chen to the shareholders of Subcontractor I so that they could seek Ms. Chen's assistance in sourcing quality PRC workers, given that (i) Ms. Chen had experience in management and operation of labour-intensive garment business in the PRC, and (ii) Ms. Chen had established connection with a network of human resource agencies in the PRC for sourcing quality workers.

As confirmed by Ms. Chen, in 2018, she sought financing for her pre-[**REDACTED**] investment in our Group that came to the knowledge of Subcontractor I, which subsequently provided a short-term loan to her on normal commercial terms. The below table summarises certain key terms of the loan agreement:

Borrower	Ace Hope
Lender	Subcontractor I
Loan principal amount	HK$9.6 million
Loan period	From 15 January 2018 to 15 June 2018
Interest rate	5% per annum

	Ace Hope has repaid all of the loan principal and loan interest by November 2018.
	To the best knowledge and information of our Directors, other than being a subcontractor for our Group, Subcontractor I and its ultimate beneficial owner(s) do not have any other past or present relationships (including, without limitation, family, business, financing and employment) with the Company, its subsidiaries, their directors, shareholders, senior management or any of their respective associates.
Investment costs per Share after the [**REDACTED**] *and discount to the* [**REDACTED**]*:*	Approximately HK$[**REDACTED**] per Share, representing a discount of approximately [**REDACTED**]% to the mid-point of the [**REDACTED**] range
Shareholding in our Company immediately following completion of the [**REDACTED**] *and the* [**REDACTED**]*:*	approximately [**REDACTED**]% (assuming the [**REDACTED**] is not exercised)
Use of proceeds:	The proceeds from Ace Hope have not been utilised or applied for payment of [**REDACTED**] expenses. Such proceeds will be applied as our general working capital.
Strategic benefits:	According to the Frost & Sullivan Report, the revenue of fitting-out market in Macau is expected to experience a moderate growth at a CAGR of approximately 8.5%. By securing Ms. Chen as a pre-[**REDACTED**] investor of our Group, our Directors believe that she will continuously benefit our Group in terms of sourcing of workers for the long-term expansion of our operation scale. With the support of stable supply of foreign workers, our Directors are confident that our Group is capable of taking a more proactive step in submitting tenders for future large-scale construction and fitting-out projects from the public sector.

	Apart from the strategic benefit in terms of recruitment of workers as mentioned above, our Directors believe that our Group could benefit from (i) the additional capital provided by Ace Hope; (ii) Ms. Chen's personal and social network with a number of entrepreneurs and celebrities in Macau and the PRC, which may expose our Group to potential business opportunities by (a) enhancing our brand presence and recognition in Macau and PRC commercial sectors; (b) locating potential customers which may engage our fitting-out or construction services; (c) establishing connection between our Controlling Shareholders and various entrepreneurs, which may be beneficial to our Group in long-term prospects; and (iii) Ms. Chen's experience in running own business, which could provide advice on our Group's corporate governance.
Lock up:	Ace Hope agrees not to sell, transfer or dispose the Shares for a period of six months from the [**REDACTED**].
No further agreement in relation to shareholding:	As confirmed by Ms. Chen, except the six-month lock-up undertaken to our Company, she and Ace Hope have not entered into any agreement or understanding (either with our Controlling Shareholders or any other person) in relation to her holding of Shares in our Company or the voting rights or economic return attached to such Shares.
Public float:	Given that each of Mr. Chen and Ace Hope is not a connected person of our Company, the Shares held by Ace Hope shall be counted as part of the public float upon [**REDACTED**] pursuant to Rule 8.08 of the Listing Rules.

(ii) Talent Leap Pre-[REDACTED] Investment

Talent Leap entered into a share subscription agreement with our Company (the "**Talent Leap Pre-[REDACTED] Investment**"), details of which are set out below:

Name of pre-[**REDACTED**] *investor:*	Talent Leap Investments Limited (智躍投資有限公司)
Background of pre-[**REDACTED**] *investor:*	Talent Leap is an investment holding company incorporated in the BVI on 26 July 2016 and is wholly owned by Ms. Wong Yat Tze ("**Ms. Wong**"), an Independent Third Party. As represented by Ms. Wong, she was engaged in the business of trading of medicine and other pharmaceutical chemicals in Hong Kong and the PRC in the trade name of Kong Key Trading Co. (康基行) in Hong Kong, for more than 20 years with major customers located in Shantou City which were mainly from pharmaceutical and biological engineering industries. The medicine and pharmaceutical chemicals traded by Ms. Wong mainly included lansoprazole (a medication for reducing stomach acid), monacef (mainly used in the treatment of bacterial infections) and cefoperazone (a kind of antibiotics). She is currently involved in the business operation of providing medical consultancy services in Macau since 2016. Ms. Wong's business principally engages in provision of clinical services to the general public in Macau. As represented by Ms. Wong, the clinic provides out-patient consultation, specialist medical and surgical consultation as well as diagnosis and treatment of general surgery. She is responsible for procurement of medicine and pharmaceutical products. As represented by Ms. Wong, she was acquainted to Mr. Chan (a past director and shareholder of our Group) through her relationship with Mr. Chan's family in about early 1990's. For the background of Mr. Chan, please refer to the disclosure in the part of Ms. Chen above.

In 2014, our Directors observed that Macau Government and public bodies would launch a number of construction and fitting-out projects in relation to laboratories, hospitals and medical institutions in subsequent years. Understanding that Ms. Wong has accumulated extensive knowledge in pharmaceutical industry and laboratory operation based on her past experience in trading of medicine and pharmaceutical chemicals, Mr. Chan invited both Ms. Wong and Mr. Lou to attend the opening ceremony of an activity held by China Chuan Ya (Macau) Arts Association (a non-profitable society in Macau for promotion and exchange of musical art) at its premises, so that Mr. Lou may meet with Ms. Wong to understand if she would be able to assist our Group in securing such new category of projects.

Since 2016, with the technical advice and expertise from Ms. Wong, our Group began to submit tenders for fitting-out projects in respect of laboratories, hospitals and medical institutions. Based on our Directors' project management experience, the tenders of such projects generally require contractors to provide implementation proposals on specialised areas, such as ventilation, laboratory equipment and gas pipeline. Our Directors consider that Ms. Wong has largely contributed to our Group in bidding such projects by (i) providing advice in terms of tender preparation, project implementation and use of laboratory equipment; and (ii) recommending specialised suppliers to our Group.

With the advice and support from Ms. Wong, our Group successfully expanded the portfolio into the field of fitting-out projects on laboratories and medical institutions. During the year ended 31 December 2017 and 2018, our Group was awarded four fitting-out projects for various laboratories in the University of Macau with aggregate contract sum of approximately MOP67.0 million. Having regard to (i) Ms. Wong's strategic benefit to our Group in securing new category of fitting-out projects since 2017; (ii) our ongoing need on Ms. Wong for rendering advice and assistance in related projects; and (iii) our Directors' trust and confidence in Ms. Wong (who was introduced by Mr. Chan with more than 20 years of friendship with our founders), Ms. Wong agreed to become our pre-[**REDACTED**] investor in about October 2017.

Ms. Chen and Ms. Wong were selected as our pre-[**REDACTED**] investors based on their strategic benefits contributed to our Group as mentioned above. As at the Latest Practicable Date, save as otherwise disclosed in this document, our Group and our Directors have not approached or been approached by any other person for pre-[**REDACTED**] investment.

Ms. Wong invested in our Group having regard to (i) our Group's competitive strengths in view that there are only a small number of large sized construction companies in Macau; and (ii) potential growth of Macau economy as supported by the mainland China.

Date of agreement:	26 January 2018
Consideration:	HK$9,600,000
Number of Shares subscribed:	124 (additional 1,116 Shares were allotted and issued to Talent Leap on 1 February 2018 for the purpose of the Reorganisation)
Basis of determination of consideration:	Based on arm's length negotiation at approximately 4 times of price-earnings ratio of our Group's net profits for the year ended 31 December 2016

Payment date of consideration: The consideration was settled by cash on 31 January 2018.

Financial capacity and financing arrangement: Our Directors confirm that, Ms. Wong had sufficient financial capacity to invest in our Group. However, as represented by Ms. Wong, it was her intention to liquidate her self-owned properties to settle the consideration of her pre-[**REDACTED**] investment in our Group, but timely completion of disposal was uncertain. In light of this, she financed her pre-[**REDACTED**] investment in our Group by short-term loans provided by a private company incorporated in Macau which is engaged in the provision of logistic services ("**Logistic Company**").

As represented by Ms. Wong, she was acquainted to the Logistic Company through their past business relationship where Ms. Wong's business of provision of clinical services engaged the Logistic Company to provide logistic services since around late 2016.

As confirmed by Ms. Wong, in 2017, she sought financing for her pre-[**REDACTED**] investment in our Group that came to the knowledge of the Logistic Company, which subsequently provided a short-term loan on normal commercial terms to Ms. Wong. The below table summarises certain key terms of the loan agreement:

Borrower	Ms. Wong
Lender	Logistic Company
Loan principal amount	HK$10.0 million
Loan period	From 26 December 2017 to 30 June 2018
Interest rate	10% per annum
Collateral	Two commercial properties in Macau

	Ms. Wong has repaid all of the loan principal and loan interest by June 2018.
	To the best knowledge and information of our Directors, Logistic Company and its ultimate beneficial owner(s) do not have any past or present relationships (including, without limitation, family, business, financing and employment) with the Company, its subsidiaries, their directors, shareholders, senior management or any of their respective associates.
Investment costs per Share after the [**REDACTED**] *and discount to the* [**REDACTED**]*:*	Approximately HK$[**REDACTED**] per Share, representing a discount of approximately [**REDACTED**]% to the mid-point of the [**REDACTED**] range
Shareholding in our Company immediately following completion of the [**REDACTED**] *and the* [**REDACTED**]*:*	approximately [**REDACTED**]% (assuming the [**REDACTED**] is not exercised)
Use of proceeds:	The proceeds from Talent Leap have not been utilised or applied for payment of [**REDACTED**] expenses. Such proceeds will be applied as our general working capital.
Strategic benefits:	Our Directors believe that, with Ms. Wong's ongoing contribution of her specialised knowledge in pharmaceutical industry and laboratory operation, our Group will be at more competitive position in the tendering process for projects involving laboratories, hospitals and medical institutions, which will allow our Group to expand the project and customer portfolio in Macau fitting-out and construction industry.

	Furthermore, our Directors believe that our Group could benefit from (i) the additional capital provided by Talent Leap; (ii) Ms. Wong's business and social network in Hong Kong, Macau and the PRC from different sectors, which may increase our exposure to potential business opportunities by (a) locating new group of potential customers which may engage fitting-out or construction services; and (b) increasing our brand presence and recognition in the the commercial sectors in Hong Kong, Macau and the PRC, leveraging on Ms. Wong's more than 20 years of business experience and own personal connections in the Pearl River Delta region; and (iii) Ms. Wong's experience in trading and business management, which could provide advice on our Group's corporate governance.
Lock up:	Talent Leap agrees not to sell, transfer or dispose the Shares for a period of six months from the [**REDACTED**].
No further agreement in relation to shareholding:	As confirmed by Ms. Wong, except the six-month lock-up undertaken to our Company, she and Talent Leap have not entered into any agreement or understanding (either with our Controlling Shareholders or any other person) in relation to her holding of Shares in our Company or the voting rights or economic return attached to such Shares.
Public float:	Given that each of Ms. Wong and Talent Leap is not a connected person of our Company, the Shares held by Talent Leap shall be counted as part of the public float upon [**REDACTED**] pursuant to Rule 8.08 of the Listing Rules.

Confirmations from the Sponsor and our Directors

The Sponsor has confirmed that the Ace Hope Pre-[**REDACTED**] Investment and Talent Leap Pre-[**REDACTED**] Investment (together the "**Pre-**[**REDACTED**] **Investments**") are in compliance with the applicable Stock Exchange guidance, namely, (i) the Guidance Letter HKEx-GL29-12 since the Pre-[**REDACTED**] Investments were completed more than 28 days prior to our first submission of the application for the [**REDACTED**]; and (ii) the Guidance Letters HKEx-GL43-12 and HKEx-GL44-12 since there is no special right granted to Ace Hope or Talent Leap and all the disclosure requirements have been fulfilled.

Our Directors have confirmed that, to the best of their knowledge, information and belief having made all reasonable enquiries, other than the Pre-[**REDACTED**] Investments and save for the disclosure in relation to the background of the pre-[**REDACTED**] investors set out in this paragraph headed "Pre-[**REDACTED**] Investments" above, each of Ms. Chen and Ms. Wong has no past or present relationship (including but not limited to family, business, financing and employment) with our Company, its subsidiaries, their directors, Shareholders, senior management or any of their respective associates.

Chronology of events for the Pre-[REDACTED] Investments

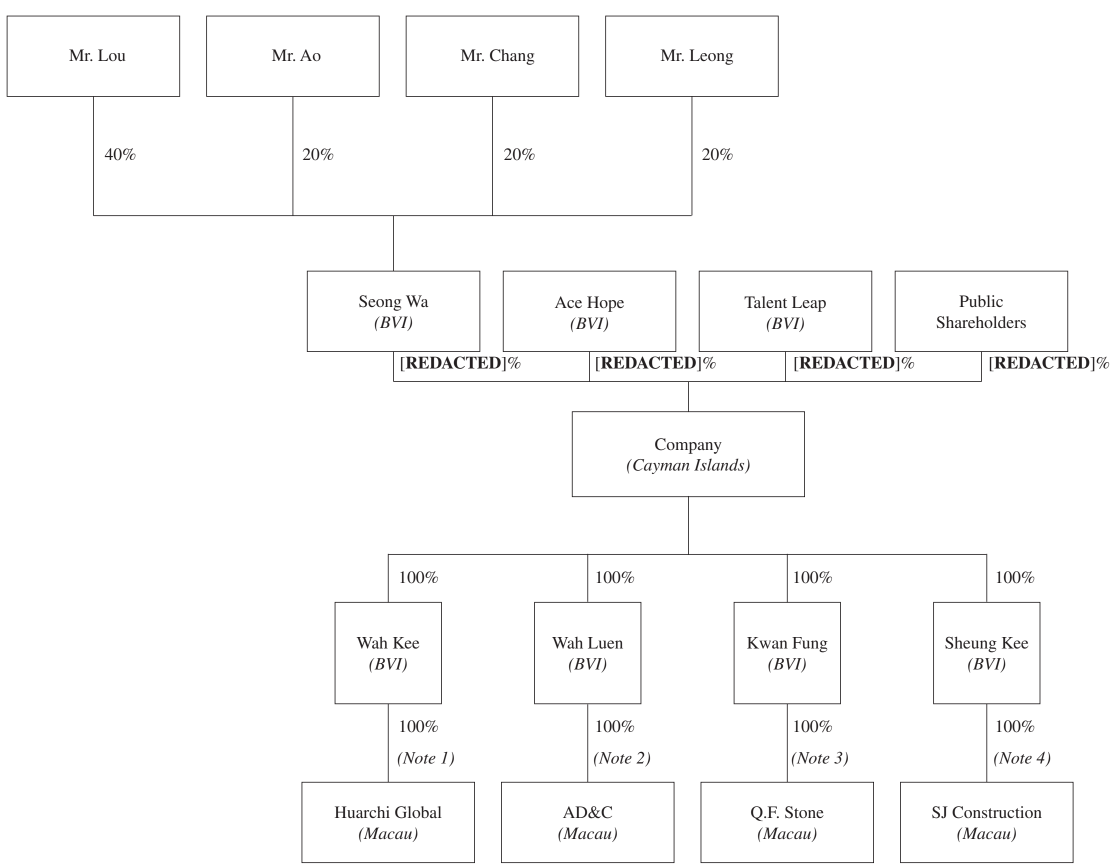
Set out below is a chronology of major events leading to the Pre-[**REDACTED**] Investments:

Date of event	**Description of event**
2014	Mr. Chan introduced Ms. Chen to meet Mr. Ao for exploring Ms. Chen's capability in sourcing quality PRC workers for our Group.
	Mr. Chan introduced Ms. Wong to meet Mr. Lou to understand if Ms. Wong would be able to assist our Group in securing new category of projects.
	Our Group established connection with Ms. Chen and Ms. Wong. Our Group began to discuss with Ms. Chen and Ms. Wong to explore what benefit they could bring to our Group.
August 2016	Ms. Chen was invited by our Group to become a pre-[**REDACTED**] investor.
October 2017	Ms. Wong agreed to become a pre-[**REDACTED**] investor.

Date of event	Description of event
January 2018	The Reorganisation steps were completed on 22 January 2018. Our Company became the holding company of the Group after the Reorganisation. Ms. Chen and Ms. Wong respectively entered into a share subscription agreement with our Company on 26 January 2018 for their Pre-[**REDACTED**] Investments. Ms. Chen and Ms. Wong settled the payment of consideration for the Pre-[**REDACTED**] Investments on 31 January 2018. Ms. Chen and Ms. Wong became pre-[**REDACTED**] investors and shareholders of our Company upon completion of settlement of the consideration for their Pre-[**REDACTED**] Investments.

CORPORATE STRUCTURE

The following diagram sets out the corporate structure of our Group immediately after the Reorganisation, Pre-[**REDACTED**] Investments, completion of the [**REDACTED**] and the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised at all):



Notes:

1. Huarchi Global is legally owned as to 98% by Wah Kee, 1% by Kwan Fung and 1% by Sheung Kee. On 18 January 2018, each of Kwan Fung and Sheung Kee executed an irrevocable power of attorney in favour of Wah Kee granting all its powers in relation to (a) the social rights; and (b) its respective shares of MOP10,000 in Huarchi Global, including the powers to enable Wah Kee as the attorney to assign each of Kwan Fung's and Sheung Kee's respective shares of MOP10,000 into its own name, and hence Wah Kee beneficially owns the entire registered capital of Huarchi Global.

2. AD&C is legally owned as to 99% by Wah Luen and 1% by Wah Kee. On 18 January 2018, Wah Kee executed an irrevocable power of attorney in favour of Wah Luen granting all its powers in relation to (a) the social rights; and (b) its quota of MOP1,000 in AD&C, including the powers to enable Wah Luen as the attorney to assign Wah Kee's quota of MOP1,000 into its own name, and hence Wah Luen beneficially owns the entire registered capital of AD&C.

3. Q.F. Stone is legally owned as to 99% by Kwan Fung and 1% by Wah Kee. On 18 January 2018, Wah Kee executed an irrevocable power of attorney in favour of Kwan Fung granting all its powers in relation to (a) the social rights; and (b) its quota of MOP1,200 in Q.F. Stone, including the powers to enable Kwan Fung as the attorney to assign Wah Kee's quota of MOP1,200 into its own name, and hence Kwan Fung beneficially owns the entire registered capital of Q.F. Stone.

4. S.J. Construction is legally owned as to 99% by Sheung Kee and 1% by Wah Kee. On 18 January 2018, Wah Kee executed an irrevocable power of attorney in favour of Sheung Kee granting all its powers all in relation to (a) the social rights; and (b) its quota of MOP1,200 in S.J. Construction, including the powers to enable Sheung Kee as the attorney to assign Wah Kee's quota of MOP1,200 into its own name, and hence Sheung Kee beneficially owns the entire registered capital of S.J. Construction.

OVERVIEW

We are one of the leading fitting-out contractors in Macau. According to the Frost & Sullivan Report, we were the second largest fitting-out contractor in Macau in terms of revenue in 2018. Our Group provides services of (i) fitting-out; (ii) construction; and (iii) repair and maintenance in Macau. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our Group's total revenue amounted to approximately MOP175.2 million, MOP322.7 million, MOP400.1 million and MOP158.8 million, respectively. The following table sets forth a breakdown of our Group's revenue during the Track Record Period by business segments:

	Year ended 31 December						Four months ended 30 April	
	2016		2017		2018		2019	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000*	*%*
Fitting-out	166,803	95.2	297,318	92.1	392,700	98.2	158,016	99.4
Construction	7,696	4.4	24,696	7.7	5,662	1.4	795	0.5
Repair and maintenance	717	0.4	710	0.2	1,723	0.4	29	0.1
Total	175,216	100.0	322,724	100.0	400,085	100.0	158,840	100.0

During the Track Record Period, all of our Group's revenue was derived from the projects in Macau and our Group undertook projects from both private and public sectors. Public sector projects refer to projects where the project employer is the Macau Government or other government entities or statutory bodies in Macau, while private sector projects refer to projects that are not within the public sector. The following table sets forth a breakdown of our Group's revenue during the Track Record Period attributable to private and public sectors:

	Year ended 31 December						Four months ended 30 April	
	2016		2017		2018		2019	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000*	*%*
Public sector	98,401	56.2	159,600	49.5	77,137	19.3	24,176	15.2
Private sector	76,815	43.8	163,124	50.5	322,948	80.7	134,664	84.8
Total	175,216	100.0	322,724	100.0	400,085	100.0	158,840	100.0

Our Group undertook projects as both main contractor and subcontractor during the Track Record Period and generally subcontracted the site works to subcontractors while mainly involving in project management. When our Group is engaged as a main contractor, we normally delegate works to our subcontractors and our main responsibilities include (i) project management; (ii) engaging subcontractors; (iii) developing detailed work programmes; (iv) procurement of major construction materials; (v) coordination with our customers or their consultants; (vi) overall control of the works carried out by our subcontractors; and (vii) ensuring the project is carried out in a safe manner. When our Group is engaged as a subcontractor, we normally delegate works to our subcontractors and manage their works. The table below sets forth a breakdown of our Group's revenue during the Track Record Period as main contractor and subcontractor:

	Year ended 31 December						Four months ended 30 April	
	2016		**2017**		**2018**		**2019**	
	MOP'000	%	*MOP'000*	%	*MOP'000*	%	*MOP'000*	%
Main contractor	101,118	57.7	164,739	51.0	75,938	19.0	25,942	16.3
Subcontractor	74,098	42.3	157,985	49.0	324,147	81.0	132,898	83.7
Total	175,216	100.0	322,724	100.0	400,085	100.0	158,840	100.0

Our Group provides fitting-out works for both new buildings and existing buildings in Macau. A fitting-out project involves shop drawing, procurement of materials, execution of fitting-out works, site supervision, management of subcontractors and overall project management. Types of works of a fitting-out project may include stone works, carpentry and joinery works, floor carpeting, decorative lighting suspended ceilings, plastering works, steel and metal works, installation of sanitary fittings and wares, fittings, fixture and equipment, glazing works, painting works, wall papering, as well as other associated works. During the Track Record Period, our customers of this segment included private and public sector customers.

A construction project involves works including foundation works, and buildings services systems installation. Our Group is also responsible for structural calculation and shop drawing, procurement of materials, site supervision, management of subcontractors and overall project management. Our Group generally subcontract site works to other subcontractors, including but not limited to, foundation works and building services systems installation. During the Track Record Period, our customers of this segment included private and public sector customers.

Our Group also provides repair and maintenance services for existing properties in Macau on (i) as-needed basis; and (ii) regularly over a fixed period. Repair and maintenance services provided by our Group include repair or replacement of interior decorative parts, as well as other works for building services systems such as installation of CCTV systems and air-conditioning systems. During the Track Record Period, our customers of this segment were mainly public sector customers.

During the Track Record Period and up to the Latest Practicable Date, our Group had undertaken 246 fitting-out projects, four construction projects and 70 repair and maintenance projects. As at the Latest Practicable Date, our Group had 37 fitting-out projects, seven repair and maintenance projects, and two construction project in progress or awarded to us but yet to commence.

According to the Frost & Sullivan Report, the revenue generated from fitting-out industry in Macau increased rapidly from approximately MOP3,153.3 million in 2013 to approximately MOP8,883.8 million in 2018 at a CAGR of approximately 23.0%. The fitting-out market in Macau is estimated to have a moderate growth at a CAGR of approximately 8.5% over the period from 2019 to 2023, and achieve approximately MOP13,523.2 million in 2023. The growth is driven by infrastructure development and growth in tourism. In terms of revenue, our Group was the second largest fitting-out contractor in Macau in 2018, with market share of approximately 4.4%. The fitting-out market in Macau is dominated by major contractors, of which the top five contractors had an aggregate market share of approximately 26.9% in 2018. The construction market in Macau experienced a strong growth from MOP39.3 billion in 2013 to MOP82.0 billion in 2018, representing a CAGR of 15.8%. The rapid increase was primarily due to the new construction of casinos and hotels from 2013 to 2018. The expediting of the residential developments in the urban development and reclamation work for New Urban Zone Area A, would increase the demand for construction. The construction market in Macau will likely to grow continuously at a CAGR of 12.7% during 2019 to 2023, reaching MOP148.1 billion in 2023. The construction market in Macau is dominated by major contractors, of which the top five contractors had an aggregate market share of approximately 25.3% in 2018. For further information regarding the competitive landscape of the industries in which our Group operates, please refer to the section headed "Industry Overview" in this document.

COMPETITIVE STRENGTHS

Our Directors believe that several competitive strengths set our Group apart from its competitors and enable our Group to continue its growth and enhance its profitability. Such competitive strengths include:

Well-established reputation with proven track record in the fitting-out and construction industry in Macau

Our Group has accumulated over ten and five years of experience in the fitting-out and construction industry, respectively in Macau. Throughout our Group's operating history, our Directors believe that our Group has built a good reputation in the fitting-out and construction industry in Macau. According to the Frost & Sullivan Report, in terms of revenue, our Group was the second largest fitting-out contractor in Macau in 2018, with market share of approximately 4.4%. Our Directors are of the view that our Group's well-established reputation and proven track record in the fitting-out and construction industry in Macau differentiate our Group from its competitors.

Strong customers' portfolio in public sector which enabled our Group to develop its presence in the private sector

During the Track Record Period, our Group had undertaken 11 public sector projects with contract sum of MOP10.0 million or above. Our major customers included various bureaus and departments of the Macau Government, other government entities and statutory bodies in Macau. Our Directors believe that our Group's reputation in undertaking public sector projects enables our Group to expand in the private sector. During the Track Record Period, our revenue generated from the private sector increased from MOP76.8 million for the year ended 31 December 2016 to MOP323.0 million for the year ended 31 December 2018. Our Directors believe that our Group can continue to leverage on its strong presence in the public sector in expanding our scale of operation.

Established business relationships with some of our Group's major customers

Our Group's major customers include the Macau Government, statutory bodies and main contractors. We have business relationship of over five years with most of our top five customers for each year during the Track Record Period. Our Directors believe that customers' satisfaction is a fundamental factor to maintain good and long-term relationship between our Group and our customers, which enables our Group to secure fitting-out or construction projects from these existing customers in the future.

Stable pool of subcontractors

Our Group has over ten and five years of operating history in the fitting-out and construction industry, respectively in Macau. Our Directors believe that our Group has built a stable pool of subcontractors. Among the top five subcontractors for each year during the Track Record Period, most of them had maintained over four years of business relationship with our Group. Our Group maintains internal lists for approved subcontractors, which will be updated by our Group from time to time. For further details of the basis for selection of subcontractors, please refer to the section headed "Business – Subcontractors – Basis for selection of subcontractors" in this document.

Our Directors consider that having a stable pool of subcontractors allows our Group to effectively maintain the quality of its works, which is a crucial factor for our Group to secure new business opportunities and maintain good reputation within the industry.

Our Group's experienced management team possesses extensive industry knowledge

Our Directors consider that our Group's management team possesses the requisite industry knowledge and management experience in project execution and expertise in the fitting-out, construction and repair and maintenance industry. For instance, Mr Lou, one of our executive Directors, has more than 14 years of experience in the Macau construction industry. Please refer to the section headed "Directors and Senior Management" in this document for further details of the biographies of our Group's Directors and senior management and their relevant industry experiences.

As at the Latest Practicable Date, our Group had 23 employees who received post-secondary or higher level of education in their respective related disciplines. Our Directors believe that the expertise, experience and industry knowledge of our Group's management team, together with other skilled employees, act a critical role in delivering up-to-standard works for its fitting-out, construction, and repair and maintenance projects.

BUSINESS STRATEGIES

Our Group's principal business objective is to further strengthen its position and overall competitiveness of its fitting-out, construction, and repair and maintenance businesses and increase our market share in Macau. Our Directors intend to pursue the following key strategies to achieve our Group's future expansion plans:

Strengthen our Group's financial capabilities to undertake more new and larger scale fitting-out and construction projects

At the early stage of our projects, our Group may be required to pay for early stage payments such as the prepayment of some subcontracting fees, material costs as well as performance bonds. The customers make progress payments after the works commence. In addition, our Group's customers may withhold 5% to 10% of the total contract sum as retention money, which will be fully released to our Group subsequent to the expiration of the relevant defects liability period.

Our Directors are of the view that the cash flow requirement at the initial stage of our Group's projects constraints the number of and size of projects that our Group could take at the same time under the currently available resources. Average original contract sum of projects undertaken by the Group amounted to MOP4.3 million, MOP6.3 million, MOP6.2 million and MOP16.0 million during the year ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019. In order to undertake more new projects and/or projects with larger contract sum in the future, our Directors intend to apply part of the [**REDACTED**] from the [**REDACTED**] to improve the cashflow position and expand our Group's capacity to undertake more new projects which depends on the available cashflow position. As at the Latest Practicable Date, we had (i) 46 tenders or quotations submitted and awaiting tender results for fitting out projects; and (ii) nine tenders submitted and awaiting results and one tender or quotation to be submitted for construction projects, respectively, with a total estimated contract sum of over MOP7,149.6 million. We are also reviewing and preparing for the submission of tender for six fitting-out projects with estimated total contract sum of over MOP113.0 million, respectively, as at the Latest Practicable Date. In this respect, our Directors consider that it is justifiable and intend to utilise approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]) to strengthen the financial resources on our Group's fitting-out projects and construction projects, which finance the early stage payments of new projects such as prepayment of subcontracting fees, material costs as well as performance bonds. Our Directors believe that, as a result, our Group is able to have sufficient financial resources to undertake more new projects and/or projects of larger contract sum to capture the growth in market size of fitting-out market and construction market and increase our market share in Macau. Our Directors also believe that this will allow our Group to reduce the reliance on the banking facilities so as to lower or maintain its gearing ratio and have better control on interest expenses.

Our Directors are of the view that a strong working capital position is crucial in meeting the capital requirements of our customers and secure the projects. During the Track Record Period, we entered into memorandum of understanding in respect of two significant construction projects with Ming Shun Construction and Property Investment Limited, which was one of our five largest customers during the years ended 31 December 2017 and 2018, in March 2018 and received the relevant letters of award with contract sum amounted to approximately MOP258.1 million and MOP287.0 million in November 2018 and December 2018 respectively. According to the relevant letters of award, our Group was required to either maintain cash and bank balance of not less than MOP60.0 million and MOP55.0 million respectively or obtain bank guarantee in favour of our potential customer to secure the prepayments of the same amounts from our potential customer as our working capital to carry out the abovementioned projects. According to Frost & Sullivan, it is common to include financial requirement in the project contract in the fitting-out and building construction industry in Macau. For instance, the contractors are required to maintain cash and bank balance of an agreed amount in favour of the potential customer to secure the prepayments or provide bank guarantee of the same amounts to the potential customer as the working capital to carry out the bespoke projects. Nevertheless, our then current level of bank balance was less than MOP3.0 million which was far from meeting the relevant requirement. In addition, after we consulted our bank, we understood that we would not be able to obtain such bank guarantee due to the high level of our bank facilities with the bank for relevant purposes at the material time. Our Directors were of the view that we had no other alternatives but to give up the opportunities of undertaking the projects. Our Directors consider that our Group would have been able to capture similar opportunities and secure significant projects to establish our portfolio should we have a strong working capital position.

Improve our capacity, capabilities and cost efficiency

According to the Frost & Sullivan Report, in terms of revenue, our Group was the second largest fitting-out contractor in Macau in 2018, with market share of approximately 4.4%. In order to maintain our Group's competitiveness and market position, our Group considers that it is crucial to improve our capacity, capabilities and cost efficiency by (i) acquiring machinery and equipment; and (ii) increasing workforce.

During the Track Record Period, we generally subcontract the site works to our subcontractors and machinery and equipment are usually provided by our subcontractors or, in some occasions, leased from our suppliers. Our Directors consider that our Group adopted a prudent approach in purchasing construction machineries and equipment in the past due to limited financial resources. Our Directors are of the view that in order to cope with our expansion strategy, there will be an imperative need for us to acquire certain machineries and equipment, including one tower crane, one lorry crane, 24 cement spraying machines and 24 automatic plastering machines, for the following reasons:

- Our Directors believe that having our own machineries and equipment will reduce our reliance on subcontractors or suppliers for the provision of machineries and equipment in the execution of our project works. In the past, we relied on our subcontractors or, in some occasions, our suppliers to provide the machineries and equipment for our projects. Our Directors are of the view that if the subcontractors or suppliers are required to provide machineries and equipment, it is necessary for our Group to match with their work or leasing schedule as their machineries and equipment may be used in some other projects at the material times. In the long run, our Directors believe that we can have more flexibility and better control over our work schedule and progress of the projects on hand if we have our own machineries and equipment, thus reducing the risk of delayed project completion which may have an adverse impact to our reputation and future success in tendering.

- Our Directors are of the view that having our own machineries and equipment may improve our efficiency and reduce project cost, for instance, we can handle repetitive and labour-intensive tasks such as plastering for our fitting-out projects more efficiently with cement spraying machines and automatic plastering machines which reduce the number of human workers needed. According to the Frost & Sullivan Report, the average daily wage of fitting-out workers in Macau increased from MOP588.6 in 2013 to MOP883.9 in 2018. Our Directors believe that use of machineries and equipment in our projects can (i) reduce our reliance on human labour which is subject to increasing trend of wage level; and (ii) time required to complete the project, which potentially allow us to offer a more competitive tender and help increase our chance of successful tender.

- Our Directors believe that we will also be able to broaden our approved list of subcontractors to include subcontractors who do not own the required machineries and equipment to execute the project works, which enables us to have more choices and higher flexibility over the selection of our subcontractors.

- Our Directors believe that, in addition to project execution, with our own fleet of machineries and equipment, we will be able to secure more new projects. According to the Directors' experience, in tendering for new projects, availability of machineries and equipment is one of the assessment criteria of our potential customers. In order to increase our tender success rate for the projects to be tendered, it is necessary for us to strengthen our resources and enhance our competitiveness by establishing our own fleet of machineries and equipment. As such, our Directors believe that we have needs to raise fund to purchase the above machineries and equipment to compete for more projects.

Our Directors are of the view that while maintaining our Group's business model of mainly focusing on project management and generally subcontracting the site works to subcontractors, the acquisition of machineries and equipment enables us to capture the advantages as detailed above which is commensurate with our overall business objective to expand our market share in Macau and to improve our capacity and operational efficiency, which will remain as our future strategies going forward.

To increase our capacity, we plan to recruit one architect, two project managers, three registered civil engineers, eight registered electrical and mechanical engineers, one tower crane operators and five foremen on full-time basis to strengthen our capability to (i) handle more projects; (ii) participate in projects of larger scale and higher complexity; and (iii) further strengthen our quality assurance which is of utmost importance to our Group's competitiveness and ongoing development in the construction industry in Macau.

In order to maintain our Group's competitiveness and market share given the intense competition in fitting-out industry and construction industry in Macau, our Directors consider that it is justifiable to utilise approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]) to improve our capacity, capabilities and cost efficiency.

SERVICES PROVIDED BY OUR GROUP

Our Group provides services of (i) fitting-out; (ii) construction; and (iii) repair and maintenance in Macau. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our Group's total revenue amounted to approximately MOP175.2 million, MOP322.7 million, MOP400.1 million and MOP158.8 million, respectively. The following table sets forth a breakdown of our Group's revenue during the Track Record Period by business segments:

	Year ended 31 December						**Four months ended 30 April**	
	2016		**2017**		**2018**		**2019**	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000*	*%*
Fitting-out	166,803	95.2	297,318	92.1	392,700	98.2	158,016	99.4
Construction	7,696	4.4	24,696	7.7	5,662	1.4	795	0.5
Repair and maintenance	717	0.4	710	0.2	1,723	0.4	29	0.1
Total	175,216	100.0	322,724	100.0	400,085	100.0	158,840	100.0

During the Track Record Period, all of our Group's revenue was derived in Macau and our Group undertook projects from both private and public sectors. Public sector projects refer to projects where the project employer is the Macau Government or other statutory bodies in Macau, while private sector projects refer to projects that are not within the public sector in Macau. The following table sets forth a breakdown of our Group's revenue during the Track Record Period attributable to private and public sectors:

	Year ended 31 December						Four months ended 30 April	
	2016		2017		2018		2019	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000*	*%*
Public sector	98,401	56.2	159,600	49.5	77,137	19.3	24,176	15.2
Private sector	76,815	43.8	163,124	50.5	322,948	80.7	134,664	84.8
Total	175,216	100.0	322,724	100.0	400,085	100.0	158,840	100.0

Fitting-out works

Our Group provides fitting-out works for both new buildings and existing buildings in Macau. A fitting-out project involves shop drawing, procurement of materials, execution of fitting-out works, site supervision, management of subcontractors and overall project management. Types of works of a fitting-out project may include stone works, carpentry and joinery works, floor carpeting, decorative lighting suspended ceilings, plastering works, steel and metal works, installation of sanitary fittings and wares, fittings, fixture and equipment, glazing works, painting works, wall papering, as well as other associated works. During the Track Record Period, customers of this segment mainly include the Macau Government and other statutory bodies.

Construction works

A construction project involves works including foundation works, and buildings services systems installation. Our Group is also responsible for structural calculation and shop drawing, procurement of materials, site supervision, management of subcontractors and overall project management. Our Group may subcontract site works to other subcontractors, including but not limited to, foundation works and building services systems installation. During the Track Record Period, our customers of this segment include land owners and the Macau Government.

Repair and maintenance works

Our Group also provides repair and maintenance services for existing properties in Macau on (i) as-needed basis; and (ii) regularly over a fixed period. Repair and maintenance services provided by our Group include repair or replacement of interior decorative parts, as well as other works for building services systems such as installation of CCTV systems and air-conditioning systems. During the Track Record Period, our customers of this segment mainly include the Macau Government and other statutory bodies.

Completed projects

The following table sets out the brief details of our completed projects during the Track Record Period and up to the Latest Practicable Date with contract sum of MOP10 million or above, in ascending order by commencement date:

Project number	Location of project	Type of projects	Type of works	Type of building involved	Project period *(Note 1)*	Contract sum *(approximate MOP million)* *(Note 2)*
1/JT1 *(Note 3)*	Macau Peninsula	Public	Fitting-out	Residential building	May 2014 – July 2017	11.0
2	Macau Peninsula	Private	Fitting-out	Residential building	October 2014 – October 2017	50.0
3	Macau Peninsula	Public	Fitting-out	Office premises	December 2014 – December 2016	11.3
4/JT4 *(Note 4)*	Macau Peninsula	Public	Fitting-out	Office premises	December 2014 – November 2016	62.5
5	Macau Peninsula	Public	Fitting-out	School premises	April 2015 – January 2017	19.2
6	Taipa	Public	Construction	Government infrastructure	January 2016 – August 2018	24.1
7	Macau Peninsula	Private	Fitting-out	Residential building	July 2016 – April 2018	64.7
8	Macau Peninsula	Public	Fitting-out	Government building	November 2016 – July 2017	22.3
9	Macau Peninsula	Public	Fitting-out	Office premises	November 2016 – July 2017	22.3
10	Macau Peninsula	Private	Fitting-out	Residential building	December 2016 – April 2018	11.7
11	Macau Peninsula	Public	Fitting-out	Office premises	January 2017 – December 2017	13.1
12	Taipa	Public	Fitting-out	Resident hall of university	June 2017 – April 2018	48.4
13	Coloane	Private	Fitting-out	Residential building	June 2017 – February 2019	175.6
14	Taipa	Public	Fitting-out	Public area of university	October 2017 – October 2018	10.5
15	Taipa	Public	Fitting-out	Office premises	February 2018 – February 2019	25.2
16	Taipa	Private	Fitting-out	University laboratory	April 2018 – December 2018	24.0

Project number	Location of project	Type of projects	Type of works	Type of building involved	Project period *(Note 1)*	Contract sum *(approximate MOP million) (Note 2)*
17	Cotai	Private	Fitting-out	Government training centre	April 2018 – November 2018	14.9
18	Cotai	Private	Fitting-out	University building	June 2018 – January 2019	12.3
19	Cotai	Private	Fitting-out	University sports ground	August 2018 – February 2019	88.0
20	Macau Peninsula	Public	Fitting-out	Government building	January 2019 – September 2019	22.1
21 *(Note 5)*	Taipa	Private	Fitting-out	University building	February 2019 – August 2019	55.6
22 *(Note 6)*	Macau Peninsula	Private	Fitting-out	Office premises	March 2019 – July 2019	22.6
23 *(Note 7)*	Macau Peninsula	Private	Filling-out	Bank premises	March 2019 – May 2019	49.0

Notes:

(1) The project period covers the duration of our works with reference to commencement date and the completion date of the relevant project set out in the letter of award or in first invoice from subcontractor or in letter of commencement or in the payment certificate confirmed by our customer or their authorised persons, or with reference to the practical completion certificate issued by the relevant project architect or certificates of completion issued by our customers or confirmation issued by our customers.

(2) Contract sum refers to the original awarded contract sum excluding all variation orders issued by our customers.

(3) Our Group assumed the role of joint-contractor in this project under the relevant joint-tender arrangement. For details of our joint-tender arrangements during the Track Record Period, please refer to the section headed "Business – Our operation flow – Tender/quotation process" in this document.

(4) Our Group assumed the role of contractor-in-charge in this project under the relevant joint-tender arrangement. For details of our joint-tender arrangements during the Track Record Period, please refer to the section headed "Business – Our operation flow – Tender/quotation process" in this document.

(5) 明傑建築有限公司 has engaged our Group to provide fitting-out service for an art institute in Macau.

(6) Viewtiful Renovation has engaged our Group to provide fitting-out service to an office premises in Macau.

(7) 明傑建築有限公司 has engaged our Group to provide fitting-out service to a branch of a Macau local bank.

Projects in progress/awarded to us yet to commence

The following table sets out the brief details of our projects in progress and projects awarded to us yet to commence as at the Latest Practicable Date with contract sum of MOP10.0 million or above, in ascending order by commencement date:

Project number	**Location of project**	**Type of projects**	**Type of works**	**Type of building involved**	**Expected project period** *(Note 1)*	**Awarded contract sum** *(approximate MOP million)* *(Note 2)*	**Remaining contract sum as at 30 April 2019** *(approximate MOP million)*	**Approximate percentage of completion as at 30 April 2019** *(%)* *(Note 3)*	**% of revenue recognised during the Track Record Period** *(%)*	**Revenue to be recognised for the year ending 31 December 2019** *(approximate MOP million)* *(Note 4)*
24	Macau Peninsula	Private	Fitting-out	Residential building	June 2017 – March 2020	20.7	11.1	46.4	46.4	10.3
25	Macau Peninsula	Private	Fitting-out	College guest house	March 2018 – January 2020	23.2	8.4	63.7	63.7	11.3
26	Taipa	Public	Fitting-out	University laboratory	January 2019 – November 2019	17.4	13.8	20.4	20.4	17.4
27	Taipa	Public	Fitting-out	University laboratory	January 2019 – November 2019	15.9	14.8	7.2	7.2	15.9
28	Coloane	Private	Fitting-out	Residential building	August 2019 – April 2020	131.2	131.2	0.0	0.0	66.8
29 *(Note 5)*	Taipa	Public	Fitting-out	University hospital	September 2019 – June 2020	20.7	20.7	0.0	0.0	9.2
30	Coloane	Private	Construction	Residential building	May 2020 – January 2021	12.7	12.7	0.0	0.0	0.0

Project number	Location of project	Type of projects	Type of works	Type of building involved	Expected project period	Awarded contract sum	Remaining contract sum as at 30 April 2019	Approximate percentage of completion as at 30 April 2019	% of revenue recognised during the Track Record Period	Revenue to be recognised for the year ending 31 December 2019
					(Note 1)	*(approximate MOP million)* *(Note 2)*	*(approximate MOP million)*	*(%)* *(Note 3)*	*(%)*	*(approximate MOP million)* *(Note 4)*
31 *(Note 6)*	Taipa	Private	Fitting-out	Data centre in university	November 2019 – June 2020	45.6	45.6	0.0	0.0	15.2
32 *(Note 7)*	Taipa	Public	Fitting-out	University building	October 2019 – February 2020	80.0	80.0	0.0	0.0	57.0
33	Macau Peninsula	Public	Fitting-out	Government building	July 2019 – April 2020	13.4	13.4	0.0	0.0	6.7

Notes:

(1) The expected work period for a particular project comprises the commencement date of the relevant project set out in the letter of commencement or in first invoice from subcontractor or confirmation issued by our customers and our best estimation of the completion of the project. In making the estimation, our management takes into account factors including the date specified in the relevant contract, the extension period granted by our customers and the actual work schedule of our subcontractors.

(2) Awarded contract sum is the original contract sum and, if any, together with the adjustments upon variation orders.

(3) It represents the amount of works certified by our customers on the respective projects as at 30 April 2019 as a percentage of the original contract sum.

(4) It represents our best estimation based on factors including the date specified in the relevant contracts and internal historical statistics data of revenue recognising.

(5) 明傑建築有限公司 has engaged our Group to provide fitting-out service for a storey of a hospital in Macau.

(6) 明傑建築有限公司 has engaged our Group to provide fitting-out service for a data-center facility of a tertiary institute in Macau.

(7) 明傑建築有限公司 has engaged our Group to provide fitting-out service for an art institute in Macau.

Backlog

The following tables set out the backlog as at the dates indicated:

	Year ended 31 December 2016	2017	2018	Four months ended 30 April 2019	Up to the Latest Practicable Date
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Opening value of backlog	156,240	212,096	206,626	167,170	392,725
Add: Net value of new contracts[(1)]	231,072	317,254	360,629	384,395	73,246
Less: Revenue recognised[(2)]	175,216	322,724	400,085	158,840	126,087
Closing value of backlog[(3)]	212,096	206,626	167,170	392,725	339,884

Notes:

(1) "Net value of new contracts" means the total contract value of the contracts which were awarded to us together with the additional amount(s) under the variation order(s) during the relevant year indicated for that particular business stream.

(2) "Revenue recognised" means the revenue for the contracts that has been recognised during the relevant year indicated for that particular business stream.

(3) "Closing value of backlog" means the total contract value for the remaining work of the contracts before the percentage of completion reaches 100% as at the end of the relevant year indicated for that particular business stream.

The table below sets forth the summary of our project movements by value of original contract sum during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December 2016	2017	2018	Four months ended 30 April 2019	Up to the Latest Practicable Date
Original contract sum at or above MOP100 million					
Number of projects brought forward from previous year/period	0	0	1	1	1
Number of projects awarded during the year/period	0	1	0	1	0
Number of projects completed during the year/period	0	0	0	1	0
Number of outstanding projects at the end of the year/period	0	1	1	1	1

	For the year ended 31 December			Four months ended 30 April	Up to the Latest Practicable Date
	2016	2017	2018	2019	
Original contract sum below MOP100 million but at or above MOP50 million					
Number of projects brought forward from previous year/period	1	2	1	2	2
Number of projects awarded during the year/period	1	0	2	1	0
Number of projects completed during the year/period	0	1	1	1	1
Number of outstanding projects at the end of the year/period	2	1	2	2	1
Original contract sum below MOP50 million but at or above MOP10 million					
Number of projects brought forward from previous year/period	5	9	6	7	10
Number of projects awarded during the year/period	4	4	8	4	2
Number of projects completed during the year/period	0	7	7	1	4
Number of outstanding projects at the end of the year/period	9	6	7	10	8
Original contract sum less than MOP10 million					
Number of projects brought forward from previous year/period	13	26	18	24	24
Number of projects awarded during the year/period	86	76	74	18	27
Number of projects completed during the year/period	73	84	68	18	15
Number of outstanding projects at the end of the year/period	26	18	24	24	36
Total number of outstanding projects at the end of the year/period	**37**	**26**	**34**	**37**	**46**

The table below sets forth the backlog of our Group's projects that are yet to reach practical completion as at the Latest Practicable Date:

By business segments:	Number of contracts	Contract sum	Backlog value as at the Latest Practicable Date	Estimated revenue to be recognised for the year ending 31 December 2019
		(approximate MOP'000)	*(approximate MOP'000)*	*(approximate MOP'000) (note)*
Fitting-out	37	426,093	316,964	250,742
Construction	2	22,478	22,478	9,800
Repair and maintenance	7	442	442	384
Total	46	449,013	339,884	260,926

Note: It represents our best estimation based on factors including the date specified in the relevant contracts and internal historical statistics data of revenue recognising.

OUR OPERATION FLOW

We have developed a comprehensive project management system in respect of our business operations. Our Directors consider that there is no material difference in our business operation flow among our fitting-out projects, construction projects and repair and maintenance projects. For illustrative purposes, the following chart sets forth our operating flow which generally applies to the projects that we have undertaken.

Phase	Major steps involved	Duration of our fitting-out projects (approximate) *(Note)*	Duration of our construction project (approximate) *(Note)*	Duration of our repair and maintenance project (approximate)
Identification of projects	• Open tender or invitation for tender/quotation	From time to time	From time to time	From time to time
Tender/quotation process	• Project assessment and preparation • Tender/quotation submission • Receipt of contract award	3 to 16 weeks	2 to 4 months	1 to 4 weeks
Project implementation	• Formation of project management team • Engineering design/technical submission • Preparation of a works programme • Materials procurement • Subcontracting • Taking out performance bond • Progress payment	2 to 38 months	9 to 31 months	1 to 6 months
Project completion	• Practical completion and handover • Defect liability period • Preparation of final accounts and final settlement	12 to 60 months	24 months	n/a

Note: The actual duration of our projects may vary significantly depending on, among other things, nature of work, scale and complexity of the project. For instance, for fitting out projects involving fitting out works for multiple newly constructed buildings, project duration might be relatively longer.

Identification of projects

We generally secure projects either through a competitive tendering or quotation processes. For private sector projects, our Group is generally invited by its customers directly to submit a tender or quotation. For public sector projects, our Group becomes aware of open tenders by reviewing newspapers and tender information from the websites of the Macau government or public entities.

Tender/quotation process

(i) Tender/quotation invitation

Potential customers generally have a set of standards to assess whether a contractor is eligible to tender for a particular project. They will provide us with brief information of a potential project such as project nature, size and commencement date. For private projects, we may receive tender invitation and the relevant tender documents from our customers. For public projects, after internal assessment, our Group may obtain the relevant tender documents from the relevant public entities. The tender documents generally include work specifications, schedule of rates and drawings.

For quotation invitations from our customers, our customers will normally provide us with the relevant quotation documents which usually include submission criteria, work specifications and schedule of rates for preparing our quotation.

(ii) Project assessment and preparation

On receipt of a tender or quotation invitation, we will evaluate and perform assessment of the tender or quotation documents to identify the scope and complexity of work, project specification, costs and profitability, achievability of specified timetable, resources availability and expertise, in order to ascertain whether to make a recommendation to pursue the project. Our Directors believe that project assessment is an expedient process where we have to determine the feasibility of a particular project in a short period of time before devoting substantive resources in preparing a detailed project proposal.

On some occasions, our Group may submit joint-tenders with other contractor(s) for certain public sector projects to (i) fulfil the requirements of certain tenders and/or (ii) to increase the chance of being awarded the contract. The scenario in which our Group would submit a joint-tender may include: (i) the contract sum was significant and by submitting a joint-tender, the financial capacity and resources of the tender application would be strengthened; and (ii) such projects may involve various types of work and by submitting a joint-tender where each of the joint-contractors might possess a relatively richer portfolio in certain type(s) of works, the tender would be more comprehensive and competitive.

For these joint-tender arrangements, our Group will enter into supplemental agreements with the other joint-contractor(s) to ascertain the roles, responsibilities and financial arrangements within the joint-tender and the subsequent project contract if awarded. Under the supplemental agreements, one of the joint-contractors will assume the role of contractor-in charge for the particular project and delegate certain works to the other joint-contractor(s) on a negotiated fee. Our Directors confirm that when our Group takes the initiative to invite other contractor(s) to enter into such joint-tender arrangements, we would normally take up the role of contractor-in-charge. On the other hand, if our Group is being approached by other contractor(s) to enter into such joint-tender arrangements, we would normally take up the role of joint-contractor. The salient terms of supplemental joint-tender agreements our Group entered into during the Track Record Period are as follow:

Respective roles:	The specific roles of each party entering the supplemental joint-tender agreements are stipulated. One of the parties will assume the role of contractor-in-charge and the counterparty(ies) will assume the role of joint-contractor(s).
Scope of work:	The contractor-in-charge plays a leading role in the project. It is responsible for: (i) carrying out the construction and/or fitting-out works of the main contract with the customer; (ii) fulfilling the terms and conditions of the main contract, including but not limited to issuing performance bonds, ensuring the timely completion of the project according to the tender documents and carrying out quality control measures; and (iii) bearing any legal liabilities that might arise from the main contract. The joint-contractor(s) is responsible for, amongst others, (i) familiarising with project information shortly after the issuance of letter of acceptance; (ii) preparation of works programme, machineries and direct labour deployment plans and shop drawings according to the requirements stated in the tender documents and specific requests from the contractor-in-charge; (iii) arranging procurement of materials such as obtaining quotations and summarising quotations for the use of the contractor-in-charge; (iv) monitoring and management of project progress and quality control by means of performing site inspections and attending regular meetings; and (v) providing administrative support such as documentation and filing throughout the duration of the project. In particular, for Projects JT1, JT2 and JT3 where our Group assumed the role of joint-contractor, pursuant to the terms of the supplemental agreements, our Group's scope of service can be broadly categorised as follows:

Category 1 – Preliminary planning – within three months after the project was awarded, our Group, as joint-contractor, was responsible to prepare and deliver, amongst others, preliminary shop drawings, high-level works programme, machinery and labour deployment plans and quotation analysis etc.;

Category 2 – Detailed shop drawings and works programme – prior to commencement of fitting-out works (i.e. when the necessary preceding works such as foundation works and building construction works were approaching conclusion) of the project, our Group was responsible to finalise and deliver detailed shop drawings and works programme for fitting-out works of the project for the contractor-in-charge to implement; and

Category 3 – Management support and site supervision throughout the project period – during the entire project period, our Group was responsible to provide administrative support such as providing documents management service, attending project meetings and monitoring overall project progress and quality.

Allocation of revenue: The contractor-in-charge will receive all payments from the customer on behalf of the joint-tender operation and pay a certain fixed percentage, negotiated on a case-by-case basis after taking into consideration certain factors such as (i) resources to be deployed by the joint-contractor; (ii) nature and complexity of the project; (iii) overall margin of the project, of the main contract amount to the joint-contractor. During the Track Record Period, the contract sum under the supplemental agreements when assuming the role of joint-contractor ranged from approximately 1.84% to 3.1% of the main contract sum of the respective joint-tenders; and for Project JT4, the contract sum allocated to the joint-contractor amounted to approximately 3.2% of the main contract sum of the respective joint-tender.

During the Track Record Period, our Group had undertaken four projects under respective joint-tender arrangements. The table below sets forth the details of these projects:

Project number	**Contractor-in-charge**	**Joint-contractor(s)**	**Contract sum (approximate MOP million)** *(Note 1)*
JT1.	Shing Lung Construction and Engineering Company Limited	Our Group; Long Cheong Construction Engineering Limited *(Note 3)*	11.0 *(Note 2)*
JT2.	Shing Lung Construction and Engineering Company Limited	Our Group; Long Cheong Construction Engineering Limited *(Note 3)*	6.0 *(Note 2)*
JT3.	Shing Lung Construction and Engineering Company Limited	Our Group	6.0 *(Note 2)*
JT4.	Our Group	Shing Lung Construction and Engineering Company Limited	62.5

Notes:

(1) Contract sum refers to the original awarded contract sum excluding all variation orders issued by our customers.

(2) It refers to the contract sum our Group is entitled to according to the supplemental agreement under the respective joint-tender arrangement.

(3) Long Cheong Construction Engineering Limited is a Macau incorporated company which is principally engaged in, among others, engineering and construction. One of the controlling shareholders of Long Cheong Construction Engineering Limited is also one of the controlling shareholders of Shing Lung Construction and Engineering Company Limited. As confirmed by our Directors, in Project JT1 and JT2, Long Cheong Construction Engineering Limited was named as one of the joint-contractors solely to enhance the competitiveness of the joint-tender as Long Cheong Construction Engineering Limited possessed strong track record in similar public projects.

Our industry consultant, Frost & Sullivan, is of the view, which is also concurred by the Sponsor, that joint-tender arrangements are not uncommon in the construction and fitting-out industry in Macau. For more details of the joint-tenders during the Track Record Period, please refer to the section headed "Business – Major customer with dual role as our subcontractor in other projects" in this document.

Project preparation involves costing and pricing analysis, technical analysis and risk management. We also obtained quotations from our subcontractors so as to make a cost estimation.

(iii) Pricing

We generally make reference to the project cost estimate for pricing a project. We determine the price of a tender or quotation based on cost and profit margin estimates and take into account various factors such as quotations of our suppliers and subcontractors, complexity and completion schedule of the project, our previous tender or quotation records and the awarded price of similar projects. For details of salient terms of our contracts, please refer to the sub-sections headed "Salient terms of fitting-out and construction contracts" and "Salient terms of repair and maintenance contracts" in this section.

(iv) Award of contracts

Depending on the requirements of our customers, they may shortlist potential candidates for interviews after tender or quotation submission. If required, we will conduct a presentation to demonstrate to our potential customer that we have the sufficient financial and technical resources to undertake the project. We may also respond to any queries they may have on our submitted tender or quotation, suggest alternative solutions and negotiate on the price and/or other contract terms during the interview.

After the interview (if required), award of contract is generally confirmed by way of a letter of acceptance. A project owner will usually arrange to enter into a formal contract with us. The period from the receipt of the tender or quotation invitation to award of contract may range from three to 16 weeks for our projects.

The table below sets forth our Group's tender success rate during the Track Record Period:

	For the year ended 31 December			**Four months ended 30 April**
	2016	**2017**	**2018**	**2019**
Number of tenders submitted	164	163	124	60
Number of successful tenders	30	28	27	12
Success rate (%)	18.3	17.2	21.8	20.0
Approximate contract sum of tenders submitted (MOP million)	2,769.2	5,134.5	3,116.0	6,713.2
Approximate contract sum of successful tenders (MOP million)	143.0	83.3	181.9	385.8

Project implementation

With the award of contract, we will then proceed with project implementation which involve formation of a project team, engineering design and technical submission, devising a detailed works programme, procurement of materials, leasing of machinery and equipment, engagement of subcontractors, and to take charge in the overall management of the projects.

(i) Formation of project team

Depending on the scale and complexity of the project, we will assign a project team led by our project manager. Our project team normally comprised the following members:

- project manager: responsible for the overall day-to-day management and implementation of the project including overall planning of the project, work allocation, budgeting, communication with our customers, suppliers and subcontractors on project matters.

- quantity surveyor: conducts cost estimation, assessment of work progress and quantity of works completed.

- site manager: responsible for site supervision and monitoring of work progress and quality, including coordinating with our safety officers to implement our occupational safety management at site.

- safety officer: supervises implementation of site safety and environmental protection measures in accordance with statutory requirement, conducts site safety and environmental inspection, investigates any accidents at site, and evaluate our compliance of statutory compliance at site.

- project coordinator: responsible for communicating with subcontractors and suppliers at site.

- foreman: responsible for labour and raw materials coordination and allocation at site.

- site clerks: responsible for handling all clerical and administrative matters at site.

Our project team is responsible for onsite supervision and overall coordination of the day-to-day operation of the project. It will also prepare and submit a detailed works programme setting out key milestone dates to our customers. Our relevant project staff also reports to the executive Directors on project status and identifies issues requiring attention from time to time.

(ii) Engineering design and technical submission

Tender or quotation documents usually include customers' ideas which are usually in the form of architect's drawings together with specifications of materials, products and/or equipment to be used. We will transform these requirements into practicable work plan which include detailed engineering drawings, detailed particulars of materials, products and/or equipment to be used in the project and submit the same for our customers' approval.

(iii) Works programme

A works programme will be prepared according to the contract requirements and the site activities in the works programme will be broken down into sufficient details such that individual task works can be monitored. The works programme will show the logic of the work sequence and incorporate the key milestone dates which will be closely monitored during project implementation stage.

(iv) Procurement of materials

Please refer to the section headed "Business – Suppliers" in this document.

(v) Leasing of machinery and equipment

Please refer to the section headed "Business – Suppliers" in this document.

(vi) Subcontracting

Please refer to the section headed "Business – Subcontractors" in this document.

(vii) Performance bonds

During the Track Record Period, we have undertaken projects as either main contractor or subcontractor. To secure due and timely performance, sometimes we may be required to provide performance bonds in favour of our customers depending on project size and nature, background of customers, our role in a project and requirements of project owner or main contractor (if applicable). For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, performance bond issued by our Group amounted to approximately MOP10.1 million, MOP5.1 million, MOP4.5 million and MOP54,000, respectively and the total number of projects that required the Group to pay for performance bonds amounted to 42. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that no performance bond had been called by our customers by reason of late completion of any of our projects. The amount of performance bond required for a project undertaken by us generally range from 5% to 10% of the total contract sum. Our performance bond normally expires upon issuance of the certificate of practical completion or as specified in the relevant project contract.

(viii) Advance payment bonds

Our customers may pay us advance payment ranging from 0% to 25% of the contract sum upon contract execution depending on the terms of the relevant contract. We therefore may be required to provide advance payment bonds for equal amount as guarantee of repayment of such advance payment to our customers.

(ix) Progress payment and retention money

On a regular basis, usually on a monthly basis, our Group's customers and/or their consultants will carry out inspections on the completed works upon our Group's request to verify the amount to be received by our Group. Upon agreement with our customers, our Group will issue invoices to our customers and they are required to pay us the amount certified less retention money. Our Group usually allows a credit period up to 90 days to our customers.

In most contracts with our customers, our customers have the right to hold up a retention money, generally about 5% to 10% of the contract sum, from each progress payment. Generally, the retention money will be released after the expiry of the defect liability period of approximately 12 to 60 months. Our Directors confirmed that, during the Track Record Period, there were no forfeiture of retention money.

(x) Variation orders

Our customers may, during the course of project execution, place variation orders pursuant to the relevant terms of the contract. Variation orders may include additions, alterations or changes in quantity and design. We will discuss with our customers to mutually agree on the sum of variation orders which shall be added to or deducted from the contract sum in the relevant contract. Upon receiving a variation order from our customers describing the detailed works to be carried out, we will make a cost estimation and may then obtain quotations from our suppliers and subcontractors and prepare and submit the proposed rate for our customers' approval. The principal contract terms and settlement of variation orders are generally in line with the terms of the main contract. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our Group received a total of 33, 42, 30 and five variation orders resulting in additional work done, with total amount of approximately MOP4.9 million, MOP30.5 million, MOP52.0 million and MOP22.0 million, respectively.

(xi) Duration

According to our Directors' experience, the duration of the implementation of our projects can be affected by a number of factors including project scale, scope of works, technical complexity, availability of specified materials, expectation of customers and variation of works etc., which can vary widely. The expected completion time of a project is usually provided in the contract. During the Track Record Period, the duration for the implementation of our fitting-out projects varied from one month to 38 months and that for our construction projects and repair and maintenance projects is estimated to be about nine to 31 months and one to six months, respectively. In light of any circumstance which may lengthen the duration, we will discuss with our customers on the required time for completion of the project and adjust our previous quotation.

Project completion

(i) Practical completion

Our customers generally conduct inspection to ensure that our works are satisfactorily completed. A certificate of practical completion will then be issued by our customers, certifying that the project is substantially completed and is approved for handover. The performance bond (where applicable) may be converted into retention money to be released to our Group upon the end of the defect liability period.

(ii) Defect liability period

Our customers normally require a defect liability period, pursuant to which we are required to rectify any defects identified. Defect liability period lasts for 12 to 60 months after issuance of the certificate of practical completion. To safeguard our interests, we generally require a similar defect liability period to be provided by our subcontractors.

Generally, our customers will then release the retention money upon issuance of such certificate. During the Track Record Period, we have not experienced any material claim by our customers in respect of our projects.

CUSTOMERS

Profile of our Group's customers

Our Group's customers primarily include the Macau Government, other statutory bodies and main contractors.

During the Track Record Period, all of our Group's customers are located in Macau and all of our Group's service fees are denominated in MOP.

Major customers

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, revenue attributable to our Group's largest customer amounted to approximately 26.3%, 23.2%, 51.6% and 62.1% of our Group's total revenue, respectively, while revenue attributable to our Group's five largest customers, in aggregate, amounted to approximately 74.3%, 78.2%, 91.3% and 87.1% of our Group's total revenue, respectively.

Set out below is a breakdown of our Group's revenue attributable to our Group's five largest customers during the Track Record Period:

For the year ended 31 December 2016

Rank	Name of customer	Sector	Approximate amount of revenue *(MOP million)*	Approximate percentage of total revenue *(%)*	Service provided by our Group	Business relationship since
1	Shing Lung Construction and Engineering Company Limited	Private	46.1	26.3	Project management services and plastering	2012
2	Customer A	Public	39.6	22.6	Fitting-out	2009
3	Customer B	Public	16.6	9.5	Fitting-out	2011
4	Customer C	Public	15.0	8.6	Fitting-out	2009
5	Tek Pou Engineering Company Limited	Private	12.7	7.3	Plastering	2016
Five largest customers combined			**130.0**	**74.3**		

For the year ended 31 December 2017

Rank	Name of customer	Sector	Approximate amount of revenue *(MOP million)*	Approximate percentage of total revenue *(%)*	Service provided by our Group	Business relationship since
1	Ming Shun Construction and Property Investment Limited	Private	74.8	23.2	Plastering	2014
2	Customer A	Public	57.5	17.8	Fitting-out	2009
3	Tek Pou Engineering Company Limited	Private	45.5	14.1	Plastering	2016
4	Customer D	Public	40.3	12.5	Fitting-out	2015
5	Shing Lung Construction and Engineering Company Limited	Private	34.4	10.6	Project management services and plastering	2012
Five largest customers combined			**252.5**	**78.2**		

For the year ended 31 December 2018

Rank	Name of customer	Sector	Approximate amount of revenue (MOP million)	Approximate percentage of total revenue (%)	Service provided by our Group	Business relationship since
1	Ming Shun Construction and Property Investment Limited	Private	206.4	51.6	Fitting-out, stone works and plastering	2014
2	Zhuo Cheng Construction and Property Limited	Private	95.9	24.0	Fitting-out	2017
3	Customer D	Public	28.6	7.2	Fitting-out and construction	2015
4	Customer A	Public	23.3	5.8	Fitting-out	2009
5	Shing Lung Construction and Engineering Company Limited	Private	10.6	2.7	Plastering	2012
Five largest customers combined			**364.8**	**91.3**		

For the four months ended 30 April 2019

Rank	Name of customer	Sector	Approximate amount of revenue (MOP million)	Approximate percentage of total revenue (%)	Service provided by our Group	Business relationship since
1	明傑建築有限公司	Private	98.7	62.1	Fitting-out	2018
2	Shing Lung Construction and Engineering Company Limited	Private	15.7	9.9	Fitting-out and plastering	2012
3	Viewtiful Renovation	Private	13.6	8.6	Fitting-out	2018
4	Zhuo Cheng Construction and Property Limited	Private	5.5	3.5	Fitting-out	2017
5	Customer D	Public	4.6	3.0	Fitting-out and construction	2015
Five largest customers combined			**138.1**	**87.1**		

Notes:

(1) Customer A is a Macau Government bureau responsible for land management, urban planning, public buildings and infrastructure development.

(2) Customer B is a Macau Government bureau responsible for education and youth policies.

(3) Customer C is a Macau Government bureau responsible for the cleanliness of public places, the facilitation of rehabilitation of urban areas, road traffic regulation efforts and etc.

(4) Customer D is a public comprehensive university in Macau.

(5) Zhuo Cheng Construction and Property Limited is a Macau incorporated company, engaging in construction and the relevant design works.

(6) Shing Lung Construction and Engineering Company Limited is a Macau incorporated construction company.

(7) Tek Pou Engineering Company Limited is a Macau incorporated engineering and construction company. One of the shareholders of Tek Pou Engineering Company Limited is also one of the shareholders of Ming Shun Construction and Property Investment Limited. According to the best knowledge of our Directors, Tek Pou Engineering Company Limited ("**Tek Pou**") is in the course of dissolution as at the Latest Practicable Date due to restructuring to simplify the structure of the group of companies comprising Tek Pou and Ming Shun Construction and Property Investment Limited (the "**Ming Shun Group**"). As at the Latest Practicable Date, trade receivables, retention receivables and contract assets due from Tek Pou were all settled..

(8) Ming Shun Construction and Property Investment Limited is a Macau incorporated construction company. One of the shareholders of Ming Shun Construction and Property Investment Limited is also one of the shareholders of Tek Pou Engineering Company Limited.

(9) 明傑建築有限公司 is a Macau incorporated company, engaging in construction.

(10) Viewtiful Renovation is a business enterprise located in Macau, engaging in fitting-out works.

All of our Group's five largest customers for each year 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 Group's five largest customers during the Track Record Period.

Our Directors are of the view that our Group did not overly rely on any of its major customers having considered the following factors:

(i) our Group was able to demonstrate the ability to find substitute customers in the fitting-out and construction industries given that only Customer A and Shing Lung Construction and Engineering Company Limited were our top five customers consecutively for each of the three years ended 31 December 2018, collectively contributing approximately 48.9%, 28.4% and 8.5% of our revenue for the three years ended 31 December 2018 respectively;

(ii) our Directors believe that our Group was able to capture new source of revenue from potential customers and reduce its reliance on any single customer. During the Track Record Period, Tek Pou Engineering Company Limited, Zhuo Cheng Construction and Property Limited, 明傑建築有限公司 and Viewtiful Renovation contributed to our revenue as one of the top five customers as newly acquainted customers during the Track Record Period; and

(iii) even if any of our major customers substantially reduce the number of contracts with us or terminate the business relationship with us, our Directors consider that we have the capacity and ability to handle other potential projects from existing or new customers in view of the expected growth in the fitting-out and construction industries in Macau. As set out in the section headed "Industry Overview" in this document, from 2019 to 2023, the revenue of the fitting-out and construction industries are expected to grow at a CAGR of approximately 8.5% and 12.7%, respectively.

Salient terms of fitting-out and construction contracts

Our Group provides services of fitting-out works and construction works to its customers on a project-by-project basis instead of entering into long-term contracts. Our Directors consider that such arrangement is in line with the industry practice in Macau. The terms of each project contract entered into between our Group and its customers vary, but the salient terms of a project contract are shown below:

Scope of work	:	The scope of services and type of works to be carried out by our Group are specified in the project contract. The project contract may also include the product specifications and requirements as set out by the customers.
Duration of work	:	Our Group shall follow the pre-determined fitting-out or construction work schedule as specified by the customers.
Contract sum	:	Our Group's project contracts are mainly remeasurement contracts which contain, among other things, Bills of Quantities or Schedule of Rates which is one of the contract types commonly adopted in the construction industry in Macau. The agreed unit rates of each item and the estimated quantities of various items of works based on the tender drawings are set out in the Bills of Quantity. Such Bills of Quantities are generally prepared by the project architect engaged by the customer or main contractor. When the works are completed, the customer will measure the actual quantities of works executed onsite and our Group will be paid based on works done.

		Other than remeasurement contracts, some of our Group's project contracts are lump sum fixed price contracts in which the contract payment will be based on a fixed contract sum agreed in the contract for carrying out the whole of the works as specified in the specification, drawings and technical requirements of the customers (excluding any work done pursuant to subsequent variation orders).
Subcontracting	:	Unless specified in the project contracts, our Group's customers do not prohibit our Group from engaging subcontractors to carry out the works, but our Group is primarily responsible for the works performed by its subcontractors.
Insurance	:	When undertaking projects as the main contractor, our Group is responsible for all necessary insurances for its subcontractors, such as employees' compensation, contractors all risk insurance and third party liability insurance.
Performance bond	:	Under some of the project contracts, our Group is required to provide a performance bond equivalent to approximately 5% to 10% of the total contract sum issued by banks in favour of the customer as security for the due performance and observance of our Group's obligations under the relevant project. The performance bonds are released upon completion of the project or as specified in the relevant project contract.
Payment terms	:	For further details regarding the payment terms, please refer to the section headed "Business – Customers – Progress payment" in this document.
Defects liability period	:	Our Group may be required to provide a defects liability period ranging from 12 to 60 months for its fitting-out projects and construction projects. During the defects liability period, our Group is responsible for remedial works which may arise from the defective works or materials used.
Retention money	:	For some projects, 5% to 10% of the total contract sum of the project contract may be withheld by our Group's customers as retention money and will be fully released upon the expiry of the defects liability period. In some cases, part of the retention money will be released upon issuance of practical completion certificate.

Salient terms of repair and maintenance contracts

Our Group provides as-needed repair and maintenance services for existing properties in Macau by providing a quotation to its customers on one-off basis. Our Group also provides such services on regular basis over a fixed period. The repair and maintenance quotations provided by our Group to its customers usually contain the following provisions:

Scope of work	:	The scope of services and type of works to be carried out by our Group are specified in the quotations.
Pricing	:	The quotations are re-measurement contracts containing Bills of Quantities. The agreed unit rates of each item and the quantities of various items of works are set out in the Bills of Quantity.
Duration of work	:	In general, the scope of as-needed repair and maintenance services provided by our Group are on one-off basis. However, for some of its customers, our Group also provides such services regularly over a fixed period, generally up to six months.
Payment	:	For further details regarding the payment terms, please refer to the section headed "Business – Our operation flow – project implementation – (ix) progress payment and retention money" in this document.

Progress payment

Please refer to the paragraph headed "Business – Our operation flow – Project implementation – (ix) Progress payment and retention money" in this document.

SUPPLIERS

Profile of our Group's suppliers

Our Group's suppliers mainly include suppliers for materials to be consumed in its fitting-out projects and construction projects, such as cement, sand, rocks and marble; and in some occasions machines and equipment leasing services.

During the Track Record Period, a majority of our Group's suppliers are located in Macau, and most of the purchases orders placed by our Group are denominated in MOP.

Major suppliers

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, purchases attributable to our Group's largest supplier amounted to approximately 33.2%, 46.0%, 24.1% and 14.9% of our Group's total material costs, respectively, while total material costs attributable to our Group's five largest suppliers, in aggregate, amounted to approximately 57.7%, 65.3%, 69.9% and 54.3% of its total purchases, respectively.

Set out below is a breakdown of our Group's purchases attributable to our Group's five largest suppliers during the Track Record Period:

For the year ended 31 December 2016

Rank	Name of supplier	Approximate amount of material costs *(MOP million)*	Approximate percentage of total material costs *(%)*	Major materials supplied	Business relationship since
1	Supplier A	8.2	33.2	Construction material	2015
2	Supplier B	1.6	6.5	Construction material	2015
3	Supplier C	1.6	6.5	Office furniture	2010
4	Supplier D	1.5	6.2	Construction material	2016
5	Supplier E	1.3	5.3	Construction material	2016
Five largest suppliers combined		**14.2**	**57.7**		

For the year ended 31 December 2017

Rank	Name of supplier	Approximate amount of material costs *(MOP million)*	Approximate percentage of total material costs *(%)*	Major materials supplied	Business relationship since
1	Supplier A	17.3	46.0	Construction material	2015
2	Supplier F	2.5	6.6	Construction material	2016
3	Supplier B	1.8	4.8	Construction material	2015
4	Supplier G	1.5	4.1	Construction material	2013
5	Supplier H	1.4	3.8	Lighting material	2017
Five largest suppliers combined		**24.5**	**65.3**		

For the year ended 31 December 2018

Rank	Name of supplier	Approximate amount of material costs *(MOP million)*	Approximate percentage of total material costs *(%)*	Major materials supplied	Business relationship since
1	Supplier A	3.4	24.1	Construction material	2015
2	Supplier E	2.0	14.5	Construction material	2016
3	Supplier B	2.0	14.4	Construction material	2015
4	Supplier I	1.4	9.8	Construction material	2017
5	Supplier J	1.0	7.1	Construction material	2016
Five largest suppliers combined		**9.8**	**69.9**		

For the four months ended 30 April 2019

Rank	Name of supplier	Approximate amount of material costs *(MOP million)*	Approximate percentage of total material costs *(%)*	Major materials supplied	Business relationship since
1	Supplier K	0.8	14.9	Furniture	2019
2	Supplier L	0.6	11.4	Furniture	2019
3	Supplier F	0.6	11.2	Construction material	2016
4	Supplier G	0.6	10.3	Construction material	2013
5	Supplier M	0.4	6.5	Sanitary wares	2019
Five largest suppliers combined		**3.0**	**54.3**		

Notes:

(1) Supplier A is a Macau incorporated company engaging in the wholesale and retail of construction materials, and the processing work of stones and wood. Supplier A was owned by close associates of two of our Directors. On 23 February 2016, the said close associates disposed all of their interests in Supplier A to the Independent Third Parties who have interests in Subcontractor C, a top five subcontractor to the Group for each of the three years ended 31 December 2018 respectively.

(2) Supplier B is a Macau incorporated company, engaging in trading of cement, and import and export businesses.

(3) Supplier C is a Macau incorporated company, engaging in manufacture and sale of office furniture.

(4) Supplier D is a business enterprise located in Macau, engaging in trading of construction materials, waterproof materials and recreational facilities.

(5) Supplier E is a Macau incorporated company, engaging in trading of construction materials.

(6) Supplier F is a company located in Hong Kong, engaging in trading of materials for fitting out.

(7) Supplier G is a business enterprise located in Macau, engaging in the import, export and retail of materials for fitting out.

(8) Supplier H is a Macau incorporated company, engaging in developing and managing lighting projects and trading of lighting equipment.

(9) Supplier I is a Macau incorporated company, engaging in the trading of construction materials and provision of fitting out services.

(10) Supplier J is a Macau incorporated company, engaging in the supply of construction materials and preparation of concrete.

(11) Supplier K is a Macau incorporated company, engaging in trading of office furniture.

(12) Supplier L is a company located in Hong Kong, engaging in trading of materials for fitting-out.

(13) Supplier M is a business enterprise located in Macau, engaging in trading of sanitary wares.

Save as disclosed above, our Group's five largest suppliers for each year 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 Group's five largest suppliers during the Track Record Period.

Basis for selection of suppliers

Our Group maintains an internal list of approved suppliers and such list is updated from time to time. Our Group will review the current list of approved suppliers and consider whether any should be removed or replaced based on the quality of their products or their respective job performance. As at the Latest Practicable Date, our Group had 79 approved suppliers on its internal list of approved suppliers. Our Group selects the suppliers based on a number of criteria including but not limited to their technical capability, track records, prices, product quality and timely delivery. Our Group generally sources the materials from suppliers after the contract is awarded and the proposed materials are approved by our customers.

Our Directors confirmed that during the Track Record Period, our Group did not experience any material shortage or delay in the supply of goods or services that our Group required. Our Directors consider that our Group is able to pass on any increase in purchase costs to its customers as our Group generally takes into account the overall costs of undertaking a project when preparing the tender.

Salient purchase terms

Our Group makes purchase orders on a project-by-project basis instead of entering into long-term supply contracts with its suppliers. Our Directors consider that such arrangement is in line with the industry practice in Macau. During the Track Record Period, our Group purchased from its suppliers by placing purchase orders upon receiving a quotation on the required materials and goods from the suppliers. The terms of each purchase order entered by our Group with its suppliers vary, but the salient terms of a purchase order are shown below:

Material specification	:	A description of the material required, including the type of materials, quantity, size and technical specification of the products.
Payment terms	:	For further details regarding the payment terms, please refer to the section headed "Business – Suppliers – Credit policy" in this document.

Deposit	:	Some of our Group's suppliers require 30% to 50% of the total purchase amount as deposit while some of our Group's suppliers do not require any deposit.
Delivery	:	In some cases, our Group's suppliers deliver the goods directly to the worksite or other designated location. In some cases, our Group collect the goods from the suppliers by itself.

Credit policy

During the Track Record Period, majority of our Group's suppliers are located in Macau and Hong Kong, and most of the purchase orders made by our Group are denominated in MOP and HK$. Credit terms granted by our suppliers range from up to 30 days. Our Group settles the payment by cheque for most of the suppliers.

SUBCONTRACTORS

Profile of our Group's subcontractors

Our Group may subcontract certain activities in the project to other subcontractors depending on its internal resources level, nature of the works, complexity of the project and cost effectiveness. During the Track Record Period, our Group's subcontracted works mainly include demolition works, foundation and structural works, fitting-out works and building services systems installation.

During the Track Record Period, all of our Group's subcontractors are based in Macau, and most of our Group's subcontracting agreements are generally denominated in MOP.

Major subcontractors

For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, subcontracting fees paid to our Group's largest subcontractor amounted to approximately 22.7%, 10.4%, 33.9% and 41.5% of our Group's total subcontracting fees, respectively, while subcontracting fees paid to our Group's five largest subcontractors, in aggregate, amounted to approximately 62.5%, 34.8%, 73.2% and 52.8% of its total subcontracting fees, respectively.

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

For the year ended 31 December 2016

Rank	Name of subcontractor	Approximate amount of subcontracting costs *(MOP million)*	Approximate percentage of total subcontracting costs *(%)*	Major services provided to our Group	Business relationship since
1	Subcontractor A	19.7	22.7	Electrical and mechanical engineering	2011
2	Subcontractor B	9.5	10.9	Plastering	2016
3	Subcontractor C	9.3	10.8	Electrical and mechanical engineering and fitting-out	2015
4	Subcontractor D	9.1	10.5	Construction	2015
5	Subcontractor E	6.6	7.6	Steelwork	2012
Five largest subcontractors combined		**54.2**	**62.5**		

For the year ended 31 December 2017

Rank	Name of subcontractor	Approximate amount of subcontracting costs *(MOP million)*	Approximate percentage of total subcontracting costs *(%)*	Major services provided to our Group	Business relationship since
1	Subcontractor F	19.9	10.4	Fitting-out	2015
2	Subcontractor C	18.5	9.6	Electrical and mechanical engineering and fitting-out	2015
3	Subcontractor A	13.0	6.8	Electrical and mechanical engineering	2011
4	Subcontractor D	8.6	4.5	Construction	2015
5	Subcontractor G	6.6	3.5	Plastering	2017
Five largest subcontractors combined		**66.6**	**34.8**		

For the year ended 31 December 2018

Rank	Name of subcontractor	Approximate amount of subcontracting costs	Approximate percentage of total subcontracting costs	Major services provided to our Group	Business relationship since
		(MOP million)	*(%)*		
1	Subcontractor H	101.0	33.9	Fitting-out	2017
2	Subcontractor C	55.8	18.7	Electrical and mechanical engineering and fitting-out	2015
3	Subcontractor I	24.1	8.1	Plastering	2018
4	Subcontractor K	19.5	6.5	Plastering	2017
5	Subcontractor J	17.9	6.0	Plastering	2017
Five largest subcontractors combined		**218.3**	**73.2**		

For the four months ended 30 April 2019

Rank	Name of subcontractor	Approximate amount of subcontracting costs	Approximate percentage of total subcontracting costs	Major services provided to our Group	Business relationship since
		(MOP million)	*(%)*		
1	Subcontractor H	48.1	41.5	Fitting-out	2017
2	Subcontractor I	4.6	4.0	Plastering	2018
3	Subcontractor L	3.6	3.1	Electrical and mechanical engineering	2019
4	Subcontractor M	2.5	2.1	Plastering	2017
5	Subcontractor N	2.4	2.1	Air conditioning engineering	2014
Five largest subcontractors combined		**61.2**	**52.8**		

Notes:

(1) Subcontractor A is a Macau incorporated company, engaging in the installation and maintenance services of air conditioning, electricity and water systems, and the construction and fitting out of buildings.

(2) Subcontractor B is a Macau incorporated company, engaging in decoration of construction work.

(3) Subcontractor C is a Macau incorporated company, engaging in installation, maintenance services and trading of air conditioning, mechanical and electrical engineering, and fire engineering systems.

(4) Subcontractor D is a Macau incorporated company, engaging in electrical and mechanical engineering works.

(5) Subcontractor E is a business enterprise in Macau, engaging in wood and iron works.

(6) Subcontractor F is a business enterprise in Macau, engaging in fitting out works.

(7) Subcontractor G is a business enterprise in Macau, engaging in concrete and plaster works.

(8) Subcontractor H is a Macau incorporated company, engaging in construction and fitting out works.

(9) Subcontractor I is a Macau incorporated company, engaging in fitting-out works and environmental design work.

(10) Subcontractor J is a business enterprise in Macau, engaging in construction and fitting-out works.

(11) Subcontractor K is a Macau incorporated company, engaging in construction and fitting out works.

(12) Subcontractor L is a Macau incorporated company, engaging in electrical and mechanical engineering and construction works.

(13) Subcontractor M is a Macau incorporated company, engaging in construction and civil engineering works.

(14) Subcontractor N is a Macau incorporated company, engaging in the installation, maintenance services and trading of air conditioning engineering systems.

All of our Group's top five 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 Group's five largest subcontractors during the Track Record Period.

Basis for selection of subcontractors

Our Group maintains an internal list of approved subcontractors and such list is updated from time to time. Our Group will review the current list of approved subcontractors and consider whether any should be removed or replaced based on the quality of their products or their respective job performance. As at the Latest Practicable Date, our Group had 84 approved subcontractors on its internal list of approved subcontractors. Therefore, our Directors consider that our Group does not place any significant reliance on any single subcontractor. While assessing whether a subcontractor is qualified to be on the list, our Group carefully evaluates the subcontractor based on its technical capability, job reference, pricing competitiveness, labour resources and past safety performance.

In each project, our Group generally selects two or more subcontractors from the approved list based on their relevant skillsets and experience and invites them to provide a quotation. Our Group will then select the most suitable subcontractor.

Our Directors confirmed that during the Track Record Period, our Group did not experience any difficulty in procuring services from subcontractors and did not receive any material claims from the customers in relation to the standard and quality of services performed by subcontractors engaged by our Group.

Control on subcontractors

Our Group has a project team to oversee each of its projects, of which the site foreman is assigned to monitor and supervise, on a daily basis, the working process of the subcontractors and ensures that they have met the safety and workmanship requirements and be responsible for coordination work on the project site. Furthermore, the project manager carries out inspection on the work done by the subcontractors on a regular basis to ensure that the works done are in line with the contract design.

Our Group requires our subcontractors to follow our guidelines in relation to occupational safety at the worksite. All of the personnel at the worksite, including our Group's own personnel and the employees of our Group's subcontractors, are required to possess a valid occupational safety card issued by the DSAL. For further information on our Group's internal rules and regulations in relation to work quality, occupational health and safety, and environmental protection, please refer to the sub-sections headed "Quality control", "Occupational health and safety" and "Environmental compliance" in this section.

In order to manage the status of the work undertaken by our Group's subcontractors, project managers of our Group conduct regular reviews on the status of work progress of the appointed subcontractors. Job performance of our Group's subcontractors will be monitored by either (i) conducting meetings with subcontractors' responsible personnel to review their performance; (ii) performing inspection or checking on subcontractors' works; or (iii) periodically evaluating the performance of subcontractors.

During the Track Record Period, our Directors confirmed that there was no claim from our Group's customers in relation to the quality of the work performed by the subcontractors.

Salient terms of subcontracting agreements

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

Scope of work	:	The scope of services and types of works to be carried out by the subcontractor will be specified in the subcontracting agreement.
Contract sum	:	In respect of remeasurement contract, the final contract sum will be determined based on agreed unit rates and measurement of quantities of work done. In respect of lump sum fixed price contract, the whole contract sum will be agreed upon at engagement, subject to variation orders if any.
Insurance	:	Our Group, as the main contractor, is responsible to maintain all the necessary insurance as required for the construction work.
Payment terms	:	For further details regarding the payment terms, please refer to the section headed "Business – Subcontractors – Credit policy" in this document.
Defects liability period	:	Our Group's subcontractors generally would provide a defects liability period on their work done.
Retention money	:	5% to 10% of the total sum of the subcontracting agreement may be withheld by our Group as retention money. The retention money will be payable to the subcontractors upon expiry of the defects liability period and confirmed by the customers. For further details on our Group's payable turnover days, please refer to the section headed "Financial Information – Trade and other payables – (i) Trade payables" in this document.

Credit policy

Our Group's subcontractor would submit payment applications usually on a monthly basis, after agreeing the estimated value of work and/or material consumed, issue invoice to our Group from time to time.

During the Track Record Period, all of our Group's subcontractors are based in Macau, and the subcontracting agreements are generally denominated in MOP. Our subcontractors usually allows a credit period of up to 35 days to our Group.

Major customer with dual role as our subcontractor in other projects

Shing Lung Construction and Engineering Company Limited, being one of our five largest Customers for each of the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, was also one of our subcontractors for the years ended 31 December 2016 and 2017. During the Track Record Period, in addition to being its subcontractor or providing plastering services, we also undertook three projects as joint-contractor with Shing Lung Construction and Engineering Company Limited where we were delegated project management work under relevant joint-tender arrangements. For details of joint tenders arrangement, please refer to the section headed "Business – Our operation flow – Tender/quotation process" in this document.

Also, during the Track Record Period, our Group undertook one project as contractor-in-charge with Shing Lung Construction and Engineering Company Limited under relevant joint-tender arrangements. For details of joint tenders arrangement, please refer to the section headed "Business – Our operation flow – Tender/quotation process" in this document.

For the three years ended 31 December 2018 and the four months ended 30 April 2019, the revenue contributable to Shing Lung Construction and Engineering Company Limited amounted to approximately MOP46.1 million, MOP 34.4 million, MOP10.6 million and MOP15.7 million, respectively, representing 26.3%, 10.6%, 2.7% and 9.9% of our total revenue, respectively. For the same period, our subcontracting cost attributable to Shing Lung Construction and Engineering Company Limited were approximately MOP1.0 million, nil, nil, and nil respectively, representing approximately 1.2%, nil, nil and nil of our total subcontracting costs, respectively.

INVENTORY MANAGEMENT

During the Track Record Period and as at the Latest Practicable Date, our Group did not hold any inventory.

SEASONALITY

Our Directors consider that save that it is a traditional low season for fitting-out industry and construction industry during the Chinese New Year, our Group's business operations do not have any material seasonality.

SALES AND MARKETING

Our Group does not maintain a sales and marketing team, the executive Directors will directly contact potential customers to conduct the sales and marketing activities. During the Track Record Period, our Group secured new businesses mainly through direct invitation for tendering by customers, which is considered by our Directors to be attributable to our Group's track record and well-established presence in the industry in Macau.

MARKET AND COMPETITION

According to the Frost & Sullivan Report, the revenue generated from fitting-out industry in Macau increased rapidly from approximately MOP3,153.3 million in 2013 to approximately MOP8,883.8 million in 2018 at a CAGR of approximately 23.0%. The fitting-out market in Macau is estimated to have a moderate growth at a CAGR of approximately 8.5% over the period from 2019 to 2023, and achieve approximately MOP13,523.2 million in 2023. The growth is driven by infrastructure development and growth in tourism. In terms of revenue, our Group was the second largest fitting-out contractor in Macau in 2018, with market share of approximately 4.4%. The fitting-out market in Macau is dominated by major contractors, of which the top five contractors had an aggregate market share of approximately 26.9% in 2018. The construction market in Macau experienced a strong growth from MOP39.3 billion in 2013 to MOP82.0 billion in 2018, representing a CAGR of 15.8%. The rapid increase was primarily due to the new construction of casinos and hotels from 2013 to 2018. The expediting of the residential developments in the urban development and reclamation work for New Urban Zone Area A, would increase the demand for construction. The construction market in Macau will likely to grow continuously at a CAGR of 12.7% during 2019 to 2023, reaching MOP148.1 billion in 2023. The construction market in Macau is dominated by major contractors, of which the top five contractors had an aggregate market share of approximately 25.3% in 2018.

For further information regarding the competitive landscape of the industry in which our Group operates or intends to operate, please refer to the section headed "Industry Overview" in this document.

HEDGING

During the Track Record Period and as at the Latest Practicable Date, our Group did not engage in any hedging activity.

RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, our Group did not engage in any research and development activity nor incurred any research and development expenses.

MAJOR QUALIFICATION AND CERTIFICATIONS

The following table sets forth the major qualifications and certifications held by our Group as at the Latest Practicable Date:

Year of first grant	Recipient	Qualification	Awarding authority	Validity
2005	AD&C	Constructor Registration (Execution of Works Category)	DSSOPT	For the year 2019
2012	S.J. Construction	Constructor Registration (Execution of Works Category)	DSSOPT	For the year 2019
2013	Q.F. Stone	Constructor Registration (Execution of Works Category)	DSSOPT	For the year 2019
2014	Huarchi Global	Constructor Registration (Execution of Works Category)	DSSOPT	For the year 2019
2017	Huarchi Global	Registration for the Execution of Function of Project Elaboration	DSSOPT	For the year 2019

As advised by the Macau Legal Advisers, the registration with DSSOPT as a construction company is subject to renewal on a yearly basis by submitting an [**REDACTED**] and provided that the company has (i) office in Macau; (ii) principal business related to construction or fitting-out work; (iii) at least one qualified technician as employee; and (iv) the activity insured. Given that AD&C, S.J. Construction, Q.F. Stone and Huarchi Global comply with the aforementioned legal requirements, the Macau Legal Advisers are of the view that there is no legal impediment for AD&C, S.J. Construction, Q.F. Stone and Huarchi Global to renew their respective registration as a construction company with DSSOPT.

QUALITY CONTROL

Generally, except for projects of extremely small scale, each project of our Group has a project team comprising, among others, an executive Director and a project manager who are responsible for the overall quality assurance of the project.

For our Group's quality control measures on its subcontractors, please refer to the section headed "Business – Subcontractors – Control on subcontractors" in this document.

INTERNAL CONTROL

In preparation of the [**REDACTED**], our Group has engaged an independent internal control consultant (the "**Internal Control Consultant**") to perform a detailed evaluation on its internal control system.

The Internal Control Consultant completed the first round of internal control review in September 2017 and has recommended measures and policies to enhance our Group's internal control system. In April 2018 and October 2019, the Internal Control Consultant performed follow up reviews on, including but not limited to, the measures set out in the section headed "Business – Non-compliance – Key measures taken to prevent recurrence of the non-compliance incident" in this section. Based on the result of the follow up review, our Directors confirmed, and the Sponsor concurred, that our Group did not have any significant deficiencies in its internal control system as at the Latest Practicable Date.

INSURANCE

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

Our Group maintains employee's compensation insurance policies for its employees. As confirmed by the Company, on a project-by-project basis, our Group maintains the necessary employee's compensation insurance policies for each construction project and purchases additional insurances, such as contractor's all risk and third party liabilities, when required legally and/or in accordance with the specific requirements of our Group's customers. The coverage of the necessary employee's compensation insurance policies for each construction project include all workers employed by our Group and its subcontractors.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety measures

Our Group has established procedures to provide its workers with a safe and healthy working environment by specifying various safety measures in its in-house rules. In the in-house rules, our Group highlights potential dangers of carrying out fitting-out and construction works and specifies corresponding measures and requirements for its workers and subcontractors to follow, including, among others:

Potential dangers	Safety measures and requirements
Protection from falling materials	– All staff must wear safety helmet at locations where there are falling objects hazard – Provide safety nets along upright scaffoldings to prevent objects falling

Potential dangers		Safety measures and requirements
Welding	–	No welding or cutting operation should be allowed near places where combustible material are stored, or near material or plant where explosive or flammable dust, gases or vapour are likely to be present or omitted
	–	Oxygen bottles for welding must not be placed horizontally and must be securely fixed
Work at height and scaffolding	–	Standing scaffolds will be erected under the guidance of a competent person
	–	All scaffolds are inspected once every month or shortly after exposure to weather conditions likely to affect its stability

Our Group has devised approaches in order to ensure safe working procedures are in place on site. Below are some of the key approaches:

Safety inspection	:	Project manager or foreman shall inspect the site every day to check the compliance with the regulations and report any irregularities to relevant parties to improve various undesirable conditions The foreman shall hold a site safe meeting every day before work with the workers to stress on the importance of safety measures and provide measures to reduce safety risk.
Selection and control of subcontractor	:	Our Group will inspect and record a subcontractor's failure in complying with the safety measures. The Group will consider not to engage the subcontractors who have non-compliance more than three times on the same item. The appraisal of subcontractors is assessed by project manager, foreman and safety officer. Once contract is awarded, the subcontractors must comply with our Group's safety rules. For further details, please refer to section headed "Business – Subcontractors – Control on subcontractors" in this document

Internal procedures to handle injuries and accidents at work

Our Directors consider that given the nature of the services provided by our Group, the site workers is vulnerable to work-related accidents and injuries due to potentially hazardous working environment such as working at height or confined spaces. Our Group has a system in place to record and handle work-related accidents and injuries of the site workers. The recording and handling of work-related accidents and injuries are handled by our human resources department. Personnel from this department is also responsible for liaising with the relevant insurance company and the injured worker. Our Group's general procedures of reporting, recording and handling accidents and injuries are as follows:

1. the injured site worker should inform the on-site supervisor of the details of injury including but not limited to venue, time, cause of injury, etc.;

2. an accident report form will be filed to the engineering director by the relevant project manager which includes the details of accident, injuring condition, cause of accident and improvement measures recommended;

3. the Group will submit an accident report to the DSAL; and

4. the project manager, foreman and safety officer will keep monitoring the implementation of safety measures.

For the three years ended 31 December 2018 and the four months ended 30 April 2019, and thereafter up to the Latest Practicable Date, our Group recorded (i) nil, four, one, nil and nil accident involving workers who were employed by our Group; and (ii) one, nine, nil, one and nil accidents involving workers who were employed by the main contractors or subcontractors of our Group, respectively. The following table sets out the nature of the accidents recorded during the Track Record Period and up to the Latest Practicable Date:

Accidents involving employees of our Group

No.	Date of the accident	Details of the accident	Amount settled or estimated quantum of compensation	Status as at the Latest Practicable Date
1.	24 February 2017	When a worker was drilling hole in ceiling, gravel fell into his eye and caused injury	MOP2,310	Settled
2.	1 March 2017	A worker accidentally injured his thigh when he was doing timber formwork	MOP5,459	Settled
3.	16 May 2017	A tile fell on a worker's foot in the course of plastering work and caused injury	MOP10,632	Settled
4.	13 October 2017	While undertaking cement works, liquid cement went into a worker's eyes and caused injury	MOP3,312	Settled
5.	7 January 2018	A worker fell down while going down a set of stairs in the course of his employment, and he fractured his rib due to the impact of the fall	MOP25,099	Settled

Accidents involving employees of main contractors or subcontractors of our Group

No.	Date of the accident	Details of the accident	Amount settled or estimated quantum of compensation	Status as at the Latest Practicable Date
1.	24 October 2016	A worker was injured in the course of employment leading to superficial injuries on his ear helix	MOP13,365	Settled
2.	13 January 2017	A worker sprained her hand when washing the floor	MOP52,346	Settled
3.	16 January 2017	A worker fell over a bicycle when he was in the course of leaving the construction site, causing injury on his right shoulder	Estimated quantum of compensation is to be ascertained	Ongoing

No.	Date of the accident	Details of the accident	Amount settled or estimated quantum of compensation	Status as at the Latest Practicable Date
4.	7 February 2017	A worker fell during his work, leading to abrasions to his face and arm	MOP854	Settled
5.	15 February 2017	A worker fell over and injured her arm during her work	MOP222,004	Settled
6.	7 April 2017	When a worker was moving the materials in preparation for a plastering project, he slipped and hit the cement brick nearby, causing fracture to his rib cage	MOP58,366	Settled
7.	10 October 2017	When a worker was removing temporary covers, she injured her arm on a sharp edge	MOP10,223	Settled
8.	11 October 2017	When a worker was working next to a wall with protrusions, he accidentally wounded his left hand	MOP6,579	Settled
9.	22 October 2017	A worker stepped onto an unstable object during his course of work and sprained his ankle	MOP1,921	Settled
10.	20 November 2017	A worker slipped when walking on stairway and caused injury to his head	MOP28,710	Settled
11.	26 February 2019	A worker was injured by a fallen steel cable, causing injury to his head	Estimated quantum of compensation is to be ascertained	Ongoing as the worker is under medical treatment

Our Group recorded 16 accidents during the Track Record Period and up to the Latest Practicable Date, of which (i) claims relating to 14 accidents had already been settled; and (ii) claims relating to two accidents as set out above are still ongoing. Our Directors confirmed that (i) there is sufficient insurance coverage (in relation to the accidents involving our employees); and (ii) our Group is able to seek sufficient recovery or reimbursement from the related main contractors or subcontractors of our Group or obtain sufficient insurance coverage, as the case may be (in relation to the accidents involving their employees).

Analysis on accident rate

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

	Industry average in Macau *(Note 1)*	**Our Group** *(Note 2)*
2016		
Accident rate per 1,000 workers	23.6	3.0
Fatality rate per 1,000 workers	0.2	0.0
2017		
Accident rate per 1,000 workers	23.1	25.0
Fatality rate per 1,000 workers	0.2	0.0
2018		
Accident rate per 1,000 workers	N/A *(note 3)*	1.9
Fatality rate per 1,000 workers	N/A *(note 3)*	0.0
Four months ended 30 April 2019		
Accident rate per 1,000 workers	N/A *(note 3)*	0.9
Fatality rate per 1,000 workers	N/A *(note 3)*	0.0

In respect of the increased accident rate per 1,000 workers in 2017, our Directors are of the view that it was attributable to our Group undertaking relatively more works in construction sites, rather than already-existing structures, in 2017 as compared to previous years, and by nature the risk of incurring accidents is higher in construction sites. Notwithstanding, our Group's accident rate per 1,000 workers in 2017 was only slightly higher than the industry average in 2017.

Nonetheless, in light of the increased accident rate, our Group has implemented measures to reduce the accident rates in construction sites. For details, please refer to the section "Business – Occupational health and safety" in this document.

Notes:

1. Source: DSAL of the Macau Government.

2. Our Group's accident rate is calculated as the number of industrial accidents during the year/period divided by the daily average of the construction site workers (consisted of the employees of our Group's subcontractors only) in our Group's construction sites during the year/period.

3. The relevant data is not available as at the Latest Practicable Date.

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

	LTIFR *(Note)*
For the year ended 31 December 2016	0.1
For the year ended 31 December 2017	0.8
For the year ended 31 December 2018	0.1
For the four months ended 30 April 2019	0.1

Note: LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 100,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries of our Group that occurred during the relevant year/period by 100,000 divided by the number of hours worked by site workers over the same year/period. It is assumed that the working hour of each worker is nine hours per day.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant incidents or accidents in relation to workers' safety.

ENVIRONMENTAL COMPLIANCE

Environmental compliance measures

Our Group's operations are subject to certain environmental requirements pursuant to laws in Macau, details of which are set out in the sections headed "Regulatory Overview – C. Laws and regulations in relation to environmental protection" in this document.

Our Group's in-house rules contain mitigation measures and guidelines governing environmental protection compliance that are required to be followed by our Group's employees. Such mitigation measures and guidelines include, among others:

Area	**Mitigation measures and guidelines**
Air pollution controls	• For works procedures that may affect air quality, water sprinkling will be adopted whenever possible. If water sprinkling is not possible, appropriate isolation measures will be adopted.
Water pollution controls	• All kinds of construction wastewater shall be processed before discharge.

Area	Mitigation measures and guidelines
Noise control	• All noisy construction activities shall only be carried out within the working hours in accordance with the statutory requirements or permits granted by the relevant authorities.
	• All equipment shall be properly and regularly maintained in good operating condition.
	• Appropriate gears will be distributed to workers involved in noisy work environment.
Waste management	• Disposing of construction waste shall be conducted at specific locations and regularly.
	• The reuse and recycling of waste shall be practised as far as possible.

Track record in relation to environmental compliance

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group did not incur any expenses in relation to compliance with applicable environmental rules and regulations in Macau.

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

EMPLOYEES

Number of employees by function

As at the Latest Practicable Date, our Group had a total of 53 employees. Most of the employees of our Group are stationed in Macau.

The following table sets forth a breakdown of the number of our Group's employees by functions:

	As at 31 December			As at the Latest Practicable Date
	2016	2017	2018	
Director	4	4	4	4
Management	3	4	5	5
Administration, accounting and finance	3	6	6	5
Project management and execution (including project managers, engineers)	15	15	21	16
Direct Labour	30	55	33	23
Total	55	84	69	53

The number of employees of our Group as at 31 December 2016, 2017 and 2018 and as at the Latest Practicable Date was 55, 84, 69 and 53. Such fluctuation was largely affected by the number of direct labour employed by our Group. We usually employ direct labour on a project basis and as a project is completed, the relevant direct labour would be released. As such, the number of direct labour employed by our Group at any given date is dependable on several factors including: (i) the number of on-going projects and (ii) the number of direct labour needed for each project.

Relationship with staff

Our Directors consider that our Group has maintained good relationship with its employees. Our Directors confirm that our Group had not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor had our Group experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by employees.

Recruitment policy

Our Group generally recruits its employees from the open market mainly through placing recruitment advertisements. Our Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

Training and remuneration policy

Our Group will enter into separate employment contracts with each of its employees in accordance with the applicable employment laws in Macau.

The remuneration package offered to our Group's employees generally included basic salaries, bonuses and other cash allowances or subsidies. Our Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority.

Our Group will arrange for its employees to attend occupational safety education and training conducted by external parties to enhance their awareness of work safety.

PROPERTIES

Owned properties

As at the Latest Practicable Date, our Group did not own any properties for its operation in Macau.

Leased properties

As at the Latest Practicable Date, our Group leased two properties in Macau for its operation, details of which are set out below:

No.	Location	Leased area *sq.m.* *(approximately)*	Duration	Landlord	Rent	Usage
1.	Alameda Dr. Carlos d'Assumpção No. 249 Edif. China Civil Plaza 7 Andar B Macau	94.45	two years (commencing from 1 February 2018)	an Independent Third Party	MOP33,000 per month	Commercial
2.	Alameda Dr. Carlos d'Assumpção No. 249 Edif. China Civil Plaza 7 Andar E&F Macau	184.48	two years (commencing from 1 January 2018)	Mr. Chang	MOP48,000 per month	Office

Our Directors confirm that, during the Track Record Period, our Group had not experienced any difficulty in renewing the leases.

INTELLECTUAL PROPERTY RIGHTS

Trademarks

As at the Latest Practicable Date, our Group had registered four trademarks in Macau and three trademarks in Hong Kong, for details please refer to the paragraph headed "B. Further information about our business – 2. Intellectual property rights – Trademarks" in Appendix IV to this document.

Domain name

As at the Latest Practicable Date, our Group had registered one domain name, being **www.huarchi.com** in Macau, for details please refer to the paragraph headed "B. Further information about our business – 2. Intellectual property rights – Domain name" in Appendix IV to this document.

NON-COMPLIANCE

Our Directors confirm that save as disclosed below, our Group has complied with all material applicable laws and regulations in Macau (being the principal jurisdiction in which our Group operates) during the Track Record Period and up to the Latest Practicable Date.

Summary of systemic non-compliance

A summary of our Group's historical systemic non-compliance during the Track Record Period is set out in the table below:

1. Non-compliance with occupational hygiene and safety regulations

Details of the non-compliance	Reason of the non-compliance	Potential legal consequence and maximum penalty	Rectification actions taken and actual operation or financial impact on our Group
For the years ended 31 December 2016 and 2017 and thereafter up to the Latest Practicable Date, AD&C respectively received nine, six and two notices for non-compliance with the Regulation on Occupational Hygiene and Safety in Construction of Macau (the "**OHS Regulation**") for failure to comply with certain occupational hygiene and safety requirements in our sites.	The non-compliance incidents were unintentional and caused by inadvertent oversight of site workers.	Macau Law no. 67/92/M provides a respective range of penalty to be imposed for non-compliance with different articles of the OHS Regulation. As confirmed by our Macau Legal Adviser, the maximum penalty in respect of the non-compliance incidents which AD&C received notices for the years ended 31 December 2016 and 2017 and thereafter up to the Latest Practicable Date amounted to MOP202,500, MOP172,500 and MOP60,000 respectively.	The actual penalties imposed by the DSAL in respect of the non-compliance with the OHS Regulation for the years ended 31 December 2016 and 2017 and thereafter up to the Latest Practicable Date amounted to MOP40,500, MOP34,500 and MOP9,000 respectively. Our Directors have confirmed that all of the penalties were settled. Our Macau Legal Adviser has confirmed to our Group that (i) AD&C duly settled the respective penalties imposed by the DSAL; (ii) the relevant cases have been fully settled; and (iii) it is very remote for AD&C or its directors to be prosecuted for the non-compliance incidents. Having regard to (i) the immaterial amount of penalties which AD&C paid for; and (ii) our Macau Legal Adviser's opinion, our Directors believe that the non-compliance incidents with the OHS Regulation would have no material adverse operation or financial impact on our Group. As such, no provision has to be made for the non-compliance incidents.

2. Non-compliance with tax regulations in respect of late filing of complementary tax returns

<table>
<tr>
<th>Details of the non-compliance</th>
<th>Reason of the non-compliance</th>
<th>Potential legal consequence and maximum penalty</th>
<th>Rectification actions taken and actual operation or financial impact on our Group</th>
</tr>
<tr>
<td>Huarchi Global, AD&C, Q.F. Stone and S.J. Construction failed to submit their complementary tax returns for the years ended 31 December 2015 and 2016 within the prescribed time limit (i.e. 30 June 2016 and 30 June 2017) as required by section 64 of the Macau Complementary Income Tax Regulations (the "CITR").</td>
<td>The non-compliance incident was unintentional and caused by inadvertent oversight and insufficient knowledge of the tax-reporting staff of our Group.</td>
<td>Article 64/n.1 of the CITR provides that lack or inaccuracy of the declarations that the taxpayers are required to submit, as well as the omissions verified therein, will be punished with a fine of MOP100 to MOP10,000. Article 64/n.2 further states that in case of intentional default, inaccuracy or omission, it will be fined between MOP1,000 and MOP20,000.

Article 67 of the CITR provides that if the offender commits the same infringement as a fine that has been fined within 18 months, the offender shall be regarded as reoffending and the fines will be doubled.

Our Macau operating subsidiaries filed the complementary tax returns for the years ended 31 December 2015 and 2016 during the first quarter of 2018.

Our Macau Legal Adviser confirmed that each of Huarchi Global, AD&C, Q.F. Stone and S.J. Construction will face a maximum fine of MOP60,000 under the CITR in respect of the late complementary tax returns for the years ended 31 December 2015 and 2016.</td>
<td>Our Group has rectified the non-compliance by submitting the overdue complementary tax returns of each of Huarchi Global, AD&C, Q.F. Stone and S.J. Construction for the years ended 31 December 2015 and 2016 to the Financial Services Bureau of Macau ("FSB") during the first quarter of 2018. The complementary tax returns for the year ended 31 December 2017 were also submitted within the prescribed time limit.

As confirmed by our Tax Adviser, the table below sets out the amount of tax payable under FSB's assessment by each of Huarchi Global, AD&C, Q.F. Stone and S.J. Construction for the years ended 31 December 2015 and 2016.

<table>
<tr><th></th><th colspan="4">Amount of complementary tax payable under FSB's assessment (MOP)</th></tr>
<tr><th>For the year ended</th><th>Huarchi Global</th><th>AD&C</th><th>Q.F. Stone</th><th>S.J. Construction</th></tr>
<tr><td>31 December 2015</td><td>Nil</td><td>1,124,544</td><td>210,888</td><td>141,180</td></tr>
<tr><td>31 December 2016</td><td>36,394</td><td>2,259,697</td><td>1,461,684</td><td>Nil</td></tr>
</table>

Our Tax Adviser advised that each of Huarchi Global, AD&C, Q.F. Stone and S.J. Construction (i) has settled the respective complementary tax payments under FSB's assessment for the years ended 31 December 2015 and 2016; and (ii) has no outstanding tax exposure in respect of the late complementary tax return filing.

In November 2017, FSB imposed a fine of MOP10,952 to S.J. Construction in respect of the late tax return filing for the year ended 31 December 2015. The fines were settled in November 2017.</td>
</tr>
</table>

Details of the non-compliance	Reason of the non-compliance	Potential legal consequence and maximum penalty	Rectification actions taken and actual operation or financial impact on our Group
			In July 2018, FSB imposed a fine of MOP3,000 to AD&C in respect of its late tax return filing for the year ended 31 December 2015. The fine was settled in July 2018. Our Tax Adviser has confirmed that, under the current assessing practice of FSB, it is not likely for FSB to impose further penalty on AD&C or S.J. Construction in respect of their late tax return filing for the year ended 31 December 2015. Since Huarchi Global committed the same offence within 18 months, the penalty in respect of its late tax return filing for the year ended 31 December 2015 is estimated to be twice of the amount for the year ended 31 December 2014, i.e. MOP10,000. Despite our Group's rectification measure of submitting the overdue complementary tax returns in the first quarter of 2018, our Group has not been informed by FSB so far as to whether any fine will be imposed in respect of the late tax return filing for the year ended 31 December 2016. However, based on the amount of fines imposed by FSB for the year ended 31 December 2015 and Article 67 of the CITR, our Tax Adviser has confirmed that the aggregate maximum fines to be borne by our Group in respect of the late complementary tax return filing for the years ended 31 December 2015 and 2016 would amount to MOP131,856.

Details of the non-compliance	Reason of the non-compliance	Potential legal consequence and maximum penalty	Rectification actions taken and actual operation or financial impact on our Group
			As confirmed by our Tax Adviser, the table below sets out the amounts of fine for each of Huarchi Global, AD&C, Q.F. Stone and S.J. Construction in respect of the late complementary tax return filing.

	Amount of fine (*MOP*)		
	For the year ended 31 December 2015	**For the year ended 31 December 2016**	**Total**
Huarchi Global	10,000 (amount of fine estimated by our Tax Adviser)	20,000 (amount of fine estimated by our Tax Adviser)	30,000
AD&C	3,000 (actual fine imposed by FSB)	6,000 (amount of fine estimated by our Tax Adviser)	9,000
Q.F. Stone	20,000 (maximum fine to be imposed under the CITR)	40,000 (maximum fine to be imposed under the CITR)	60,000
S.J. Construction	10,952 (actual fine imposed by FSB)	21,904 (amount of fine estimated by our Tax Adviser)	32,856

Our Tax Adviser has confirmed that our Group has settled all of the fines actually imposed by FSB in respect of the non-compliance incidents.

Details of the non-compliance	Reason of the non-compliance	Potential legal consequence and maximum penalty	Rectification actions taken and actual operation or financial impact on our Group
			The Macau Legal Adviser has confirmed that, upon settlement of all dues and fines, it is very unlikely for our Group or our Directors to be prosecuted for the late tax return filing. Having regard to the opinions of our Tax Adviser and Macau Legal Adviser, our Directors believe that the non-compliance incidents would have no material adverse operation or financial impact on our Group, and therefore no provision has to be made for the non-compliance incidents.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have given indemnities to our Group; pursuant to the Deed of Indemnity in respect of all losses and liabilities arising from the above non-compliance incidents, for details please refer to the paragraph headed "E. Other information – 1. Tax and other indemnities" in Appendix IV to this document.

Key measures taken to prevent recurrence of the non-compliance incident

In order to enhance the implementation of our Group's risk management and internal control policies, our Group has adopted and will adopt the following measures:

(i) Our Group has engaged a registered auditor in Macau to oversee the tax reporting matters to ensure compliance with CITR; and

(ii) Our Group has established a set of internal control policies and procedures in relation to tax reporting starting from April 2018:

1. our books and record will be prepared in accordance with Hong Kong Accounting Standards, which are materially similar to the accounting standards accepted by the local tax authority in Macau; and

2. our chief financial officer and head of accounting department will review and approve the tax returns prepared by Macau auditor.

Review by the Internal Control Consultant

The Internal Control Consultant has completed follow-up reviews on the enhanced internal control measures in April 2018 and October 2019 and confirmed to be unaware of any unrectified weaknesses. Taking into account the facts that (i) there were no findings of material weakness or material insufficiency in our Group's enhanced internal control system after the follow-up reviews by the Internal Control Consultant; and (ii) our Group has properly implemented the enhanced internal control measures recommended by the Internal Control Consultant, our Directors are of the view that the enhanced internal control measures are adequate and effective for our Group's operations.

View of our Directors and the Sponsor

The Sponsor has reviewed the rectification to historical non-compliance and the internal control report prepared by the Internal Control Consultant, discussed with the Internal Control Consultant on the design effectiveness of the enhanced internal control measures and concurred with our Directors' view that our Company's enhanced internal control measures could sufficiently and effectively ensure a proper internal control system of our Group.

The Sponsor considers that the abovementioned non-compliance incidents do not have any impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules, nor the suitability for [**REDACTED**] of our Company under Rules 8.04 of the Listing Rules. In arriving at their views, the Sponsor has taken into account the following factors:

1. The non-compliance incidents were unintentional and caused by inadvertent oversight or insufficient knowledge by the relevant staff or workers, which did not involve intentional misconduct, fraud, dishonesty or corruption of the part of our Directors;

2. The non-compliance incidents were not caused by our Directors' lack of experience or integrity in managing the business operations of our Group; and

3. Our Directors have taken actions to rectify the non-compliance incidents to the extent practicable and strengthen our internal control policies and procedures to prevent recurrence of the non-compliance incidents.

LITIGATION

During the Track Record Period and 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.

The claims as well as pending or threatened claims known to our Directors that were against our Group during the Track Record Period and up to the Latest Practicable Date were generally related to the work accidents arising out of the ordinary course of our business, details of which are set out in the section headed "Business – Occupational health and safety" in this document. Our Directors are of the view that none of such claims would have material impact on our business, results of operations or financial condition.

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options to be granted under the Share Option Scheme), Seong Wa will directly control approximately [**REDACTED**]% of the voting rights at general meetings of our Company. Seong Wa is legally and beneficially owned as to 40% by Mr. Lou, 20% by Mr. Chang, 20% by Mr. Ao and 20% by Mr. Leong respectively. As Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong have decided to restrict their ability to exercise direct control over our Company by holding their interests through Seong Wa, they will (together with Seong Wa) be deemed as a group of our Controlling Shareholders by the Stock Exchange under the Listing Rules.

Each of Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong and Seong Wa confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES

Having considered the matters set out below, our Directors believe that our Group is capable of carrying on our businesses independently of our Controlling Shareholders, their respective associates or any other parties after the completion of the [**REDACTED**].

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. Our Directors are of the view that we have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. During the Track Record Period, our Group relied principally on cash generated from operations to carry on its business and this is expected to continue after the [**REDACTED**].

During the Track Record Period, our Group has certain amounts due from our Controlling Shareholders and all these amounts will be settled by our Controlling Shareholders before [**REDACTED**]. Our Directors consider our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders after the [**REDACTED**] and that our Group is not financially dependent on them.

(ii) Operational independence

We have established our own organisational structure comprising of individual departments, each with specific area of responsibilities. Our Group has not shared its operational resources with our Controlling Shareholders and/or their associates.

We have implemented a set of internal control procedures to facilitate the effective and independent operation of our business. Our Directors have confirmed that we hold all relevant and necessary licences to carry on our businesses, and have the equipment, and employees to operate our businesses independently of any of our Controlling Shareholders. Save as disclosed in the section headed "Connected Transactions" in this document, no services, premises and facilities have been provided by our Controlling Shareholders and/or their respective associates to our Group. We have independent access to our customers and suppliers.

Having considered the above factors, our Directors consider that we have no operational dependence on our Controlling Shareholders.

(iii) Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Group has an independent management team, which is led by a team of senior managers with substantial experience and expertise in our business, to implement our Group's policies and strategies.

Our Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. Our independent non-executive Directors have been appointed pursuant to the Listing Rules and we believe that all of our independent non-executive Directors will bring independent judgement to the decision-making process of the Board.

Each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that a potential conflict of interest arises out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum.

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Each of the Covenantors has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and our Shareholders. To further safeguard the interests of our Shareholders, we will adopt the following measures to manage any potential conflicts of interest:

(i) the Articles provide that except for a few exceptions set out in Note 1 to Appendix 3 of the Listing Rules (in relation to paragraph 4(1) of the same appendix only), a Director shall absent himself from participating in Board meetings (nor shall he be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested unless a majority of the independent non-executive Directors expressly require him to attend;

(ii) our independent non-executive Directors will review on an annual basis the compliance with the Deed of Non-competition undertaking by the Covenantors;

(iii) the Covenantors undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;

(iv) we will disclose in the "corporate governance report" section of our subsequent annual reports on how the Deed of Non-competition has been complied with;

(v) we will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance of the Deed of Non-competition by the Covenantors, including why business opportunities referred by the Controlling Shareholder(s) were not taken up, in our subsequent annual reports; and

(vi) the Covenantors will make an annual declaration on compliance with the Deed of Non-competition in our subsequent annual reports.

Further, any transaction that is proposed between our Group and the Covenantors and/or their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

With the measures set out above, our Directors believe that the interest of our Shareholders will be protected.

During the Track Record Period, our Group entered into an one-off connected transaction with the relevant connected person in respect of our Group's use of leased properties in Macau.

Tenancy Agreement

Mr. Chang (our executive Director and one of our Controlling Shareholders) and AD&C entered into a tenancy agreement (the "**Tenancy Agreement**"), details of which are set out below:

Date of agreement	:	31 December 2017
Parties	:	Mr. Chang as landlord and AD&C as tenant
Premises	:	(i) Alameda Dr. Carlos d'Assumpção No. 249 Edif. China Civil Plaza 7 Andar E Macau (ii) Alameda Dr. Carlos d'Assumpção No. 249 Edif. China Civil Plaza 7 Andar F Macau
Term	:	two years commencing from 1 January 2018 and expiring on 31 December 2019 (both days inclusive)
Rental and payment terms	:	monthly rent of MOP48,000 payable on the first day of each and every month during the Term
Renewal	:	upon expiry of the Term: (i) if the parties cannot reach a new agreement on renewal, the Tenancy Agreement shall be automatically extended month by month based on the existing terms; or (ii) if the landlord intends to resume the Premises, he shall give not less than 90 days' prior written notice to the tenant and the tenant shall move out upon expiry

Reason for entering into the Tenancy Agreement

Our Group has been using the above premises for its principal place of business for more than four years and intends to remain in the premises so to avoid unnecessary relocation costs and disruption of our business operations.

Implication under the Listing Rules

Mr. Chang is an executive Director and one of our Controlling Shareholders. Accordingly, Mr. Chang is a connected person of our Company and the transaction contemplated under the Tenancy Agreement constitutes a connected transaction of our Company under Chapter 14A of the Listing Rules.

Pricing Standard

The rent under the Tenancy Agreement was determined by the parties through arm's length negotiations with reference to the market data on rentals of similar properties in the locality. Our Directors are of the view that the rent under the Tenancy Agreement is fair and reasonable and reflects the prevailing market rent of comparable properties in the locality.

Historical transaction amounts

The aggregate amounts of lease payment by our Group in respect of the Premises for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 amounted to approximately MOP720,000, MOP528,000, MOP624,000 and MOP144,000 respectively.

Exemption from the connected transaction requirements

The highest applicable percentage ratio in respect of the value of the right-of-use assets under the Tenancy Agreement exceeds 0.1% but is less than 5%, and the value of the right-of-use assets is less than HK$3,000,000. Therefore, the transaction contemplated under the Tenancy Agreement constitutes a de minimis connected transaction for our Company pursuant to Rule 14A.76(1) of the Listing Rules, which is fully exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Opinion of our Directors and the Sponsor

Our Directors are of the view, and the Sponsor concurs, that: (i) the Tenancy Agreement was entered into after arm's length negotiations and was entered in the ordinary and usual course of business of our Group, on normal commercial terms or better; and (ii) the terms of the Tenancy Agreement are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

DIRECTORS

Overview

The Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. The table below sets forth the relevant information of each of our Directors:

Name	Age	Date of joining our Group	Position	Date of appointment as a Director	Roles and Responsibilities in our Group
Mr. LOU Cheok Meng (盧卓明先生)	40	11 November 2003	Chairman of the Board, executive Director and managing director	20 June 2017	Overall management and direction of our Group and formulation of our business plans and operating strategies
Mr. CHANG Wa Ieong (曾華壤先生)	44	11 November 2003	Executive Director	20 June 2017	Management and supervision of projects (in particular focusing on project implementation, arrangement of project team and coordination of site personnel); and in terms of bidding and tendering activities of our Group, responsible for estimation of project schedule, cost analysis and price determination of various items in a tender or quotation

Name	Age	Date of joining our Group	Position	Date of appointment as a Director	Roles and Responsibilities in our Group
Mr. AO Weng Kong (歐穎剛先生)	41	11 November 2003 (first joining); 1 November 2006 (rejoining)	Executive Director	20 June 2017	Implementation and promotion of occupational safety measures, formulation of workplace safety plans, training and arrangement of safety officers and attendance of various training courses in relation to occupational health and safety; and in terms of bidding and tendering activities of our Group, providing recommendations on legal compliance regarding occupational health and workplace safety matters
Mr. LEONG Ka In (梁家賢先生)	39	11 November 2003	Executive Director	20 June 2017	Providing advice on workplace safety by identifying safety issues and making recommendations; and in terms of our business operations, advising our project team on specific and difficult issues based on his previous site management experience
Dr. LAM Chi Kit *BBS MH JP* (林志傑醫生)	63	24 October 2019	Independent non-executive Director	24 October 2019	Providing independent advice to the Board
Dr. SIN Wai Chiu Joseph (冼偉超博士)	64	24 October 2019	Independent non-executive Director	24 October 2019	Providing independent advice to the Board
Mr. LO Chun Chiu Adrian (羅俊超先生)	63	24 October 2019	Independent non-executive Director	24 October 2019	Providing independent advice to the Board

Executive Directors

Mr. LOU Cheok Meng (盧卓明先生), aged 40, was appointed as a Director on 20 June 2017 and redesignated as an executive Director on 22 January 2018. Mr. Lou is also the Chairman of the Board and our Managing Director. He is one of the founders of our Group and set up AD&C in November 2003. Mr. Lou has gained more than 14 years of experience in the construction and civil engineering fields through the operations of our Group. The Board is of the view that Mr. Lou's technical expertise and experience in the industry has enhanced the development and scale of operations of our Group in the past years. Mr. Lou is responsible for the overall management and direction of our Group and formulation of our business plans and operating strategies.

Mr. Lou obtained a Bachelor of Architecture from Huaqiao University in the PRC in July 2003. Mr. Lou is registered with the DSSOPT as a technician for project elaboration. He was registered with the CAEU as an architect in January 2016. Mr. Lou was admitted to the Master of Business Administration programme of the Macau University of Science and Technology in September 2017.

Mr. Lou has become a member of the fourteenth session of the Chinese People's Political Consultative Conference Nanjing City Committee (中國人民政治協商會議南京市委員會) since January 2018. Mr. Lou has been the secretary-general of Nanjing Youth Association of Hong Kong and Macau since March 2016. He has served as a board member of the Association of Macau Architects and Civil Engineers of China Hua Qiao University (中國華僑大學建築、土木(澳門)協會) since November 2005.

Mr. CHANG Wa Ieong (曾華壤先生), aged 44, was appointed as a Director on 20 June 2017 and redesignated as an executive Director on 22 January 2018. He is one of the founders of our Group and set up AD&C in November 2003. Mr. Chang is responsible for the management and supervision of our projects, in particular focusing on project implementation, arrangement of project team and coordination of site personnel so as to ensure on-time completion of the projects. In terms of the management of bidding and tendering activities of our Group, he is responsible for estimation of project schedule, cost analysis and price determination of various items in a tender or quotation.

Mr. Chang obtained a Bachelor of Engineering in Building Engineering from Huaqiao University in the PRC in July 2002. He received a certificate for completion of the programme for Construction Safety Supervisor jointly organised by the Centre for Continuing Education of the University of Macau and the DSAL in January 2010. Mr. Chang is registered with the DSSOPT as a technician for project elaboration, project direction and supervision of works. He was registered with the CAEU as a civil engineer in December 2015.

Mr. Chang has been a board member of the Macau Construction Machinery Engineering Association since August 2016. He has served as a board member of the Association of Macau Architects and Civil Engineers of China Hua Qiao University since July 2006.

Mr. AO Weng Kong (歐穎剛先生), aged 41, was appointed as a Director on 20 June 2017 and redesignated as an executive Director on 22 January 2018. He is one of the founders of our Group and set up AD&C in November 2003. Mr. Ao is responsible for (i) implementation and promotion of occupational safety measures; (ii) formulation of workplace safety plans; (iii) training and arrangement of safety officers; and (iv) attendance of various training courses in relation to occupational health and safety. In terms of the management of bidding and tendering activities of our Group, he is responsible for providing recommendations on legal compliance regarding occupational health and workplace safety matters based on his expertise and past working experience from the DSAL.

Mr. Ao once left our Group and worked for the DSAL as an assistant technician (second class, first scale) from September 2005 to October 2006. He rejoined our Group in November 2006. He obtained a certificate for Safety & Health Supervisor (Construction) from the Macau Occupational Safety & Health Council of Hong Kong in June 2006. He received a certificate for completion of the programme for Construction Safety Supervisor jointly organised by the Macau Polytechnic Institute and the DSAL in August 2007. The Board is of the view that Mr. Ao's training and experience in safety supervision is valuable to the safe working environment for our employees.

Mr. Ao obtained a Bachelor of Engineering in Real Estate Management from Huaqiao University in the PRC in July 2002.

Mr. Ao currently serves as a vice-president of the Macau Construction Association. He has served as the chairman of the Board of the Association of Macau Architects and Civil Engineers of China Hua Qiao University since January 2013.

Mr. LEONG Ka In (梁家賢先生), aged 39, was appointed as a Director on 20 June 2017 and redesignated as an executive Director on 22 January 2018. He is one of the founders of our Group and set up AD&C in November 2003. Mr. Leong is responsible for providing advice on workplace safety by identifying safety issues and making recommendations. In terms of our business operations, he is responsible for advising our project team on specific and difficult issues based on his previous site management experience.

Mr. Leong obtained a Bachelor of Engineering in Building Engineering from Huaqiao University in the PRC in July 2002. Mr. Leong is registered with the DSSOPT as a technician for project elaboration, project direction and supervision of works. He was registered with the CAEU as a civil engineer in December 2015.

Mr. Leong has served as a board member of the Association of Macau Architects and Civil Engineers of China Hua Qiao University since August 2007.

Independent non-executive Directors

Dr. LAM Chi Kit (林志傑醫生) ***BBS MH JP***, aged 63, was appointed as an independent non-executive Director on 24 October 2019. He graduated from the University of the East in the Philippines with the degree of Doctor of Dental Medicine in April 1979.

Dr. Lam was qualified as a dental surgeon in 1979. He was elected as a fellow of the Academy of Dentistry International in May 2004 and a fellow of the International College of Dentists in the United States in March 2015. Dr. Lam served as a director of the Hong Kong Dental Association Limited from November 2007 to October 2009. He has been chairman of the Hong Kong Chinese Dentists Association since December 2015.

Dr. Lam has received recognition from government of Hong Kong for his service to the community. Dr. Lam was awarded by the government of Hong Kong the Medal of Honour in 1999 and the Bronze Bauhinia Star in 2010. He was appointed a Justice of the Peace in July 2013. Dr. Lam served as a member of the Independent Police Complaints Council from January 2007 to December 2012 and a member of the Appeal Board on Public Meetings and Processions from December 2011 to December 2017. He is an Honorary Commissioner of the Hong Kong Road Safety Patrol.

Dr. SIN Wai Chiu Joseph (冼偉超博士), aged 64, was appointed as an independent non-executive Director on 24 October 2019. Dr. Sin obtained a Bachelor of Commerce (Business & Industrial Management) from the Far East College Hong Kong in July 1985. He was awarded an honorary doctoral degree (Doctorate d'Honneur) by the Paris Institute of Administration Studies and Management (Institut des Estudes d'Administration et de Management de Paris) in June 2011.

Dr. Sin has accumulated near 40 years of experience in the financial management and insurance fields. Dr. Sin worked for AXA Group between April 1986 and January 2001. He was heavily involved in the establishment of the Sino-French joint venture of AXA-Minmetals Assurance Company Limited (now renamed as ICBC-AXA Assurance Co., Ltd.) between 1997 and May 1999 and served as its director, president and chief executive from May 1999 to December 2000. He worked as the managing director of Tanrich Financial Holdings Limited (now renamed as Southwest Securities International Securities Limited, a company listed on the Main Board with stock code: 00812) from September 2001 to July 2003. Dr. Sin joined Happy Life Insurance Co., Ltd. in the PRC in November 2007 as vice-president, and he was appointed as its financial controller in March 2010. Dr. Sin was the managing director of Bureau of Insurance Services Limited between December 2003 and August 2019.

Dr. Sin served as an independent non-executive director of Kong Sun Holdings Limited (a company listed on the Main Board with stock code: 00295) between May 2005 and March 2006. He has served as an independent director of Union Life Insurance Co., Ltd. (the debt securities of which are listed on the Stock Exchange with stock code: 04322) since September 2017.

Dr. Sin was elected a fellow of the Institute of Financial Accountants in May 1982. He is also a fellow of the Institute of Certified Public Accountants in Ireland. Dr. Sin was admitted as a fellow member of the Association of International Accountants in September 2005. He was elected a fellow of the Institute of Chartered Secretaries and Administrators in February 2003.

Mr. LO Chun Chiu Adrian (羅俊超先生), aged 63, was appointed as an independent non-executive Director on 24 October 2019. Mr. Lo was awarded a Bachelor of Laws by the University of London (as external student) in August 1988.

Mr. Lo is a member of the Law Society of Hong Kong and has been practising as a solicitor since November 1991. Mr. Lo joined Joseph C.T. Lee & Co. in 1989 and was promoted to partnership in December 1993. He has been engaging in various fields of legal practice involving commercial and conveyancing litigation, acquisition and sale of business and/or companies, company liquidation, charity foundation works, family law, immigration law and employment law.

Mr. Lo has served as an independent non-executive director of New Concepts Holdings Limited (a company listed on the Main Board with stock code: 02221) since September 2014.

Save as disclosed above and in the section headed "History, Reorganisation and Corporate Structure – Corporate History" in this document, none of our Directors:

(i) held any other position in our Company or our Macau operating subsidiaries;

(ii) had any relationship with any other Director, senior management, Controlling Shareholder or Substantial Shareholder of our Company; and

(iii) held any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date.

Save as disclosed above, there was no other information in respect of our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date and to the best of the knowledge, information and belief of our Directors, and after having made all reasonable enquiries, there was no other matter with respect to our Directors that needs to be brought to the attention to our Shareholders.

Save as disclosed in the paragraph headed "C. Further information about Substantial Shareholders, Directors and experts – 1. Disclosure of interests" in Appendix IV to this document, each of our Directors does not have any interest in the Shares within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Position	Date of appointment as the senior management	Roles and Responsibilities in our Group
Mr. WONG Yat Chung (黃逸中先生)	32	24 April 2018	Chief financial officer and company secretary	24 April 2018	Overall management of our financial team and supervision of our Group's secretarial, corporate finance, treasury, financial reporting, tax and other related financial matters
Mr. LIANG Yuxiang (梁煜祥先生)	39	22 July 2016	Financial controller	22 July 2016	Management of our financial and accounting departments and supervision of financial matters
Mr. SAM Ngai Wa (岑毅華先生)	34	15 July 2009	Engineering director	1 January 2017	Management and supervision of construction projects of our Group
Mr. KU Chon Fai (古俊輝先生)	32	9 October 2009	Engineering director	1 January 2017	Management and supervision of electromechanical projects of our Group
Ms. FAN Hei Man (范曦文女士)	25	1 October 2016	Financial manager	1 October 2016	Handling the financial, human resources and administrative matters of our Group

Mr. WONG Yat Chung (黃逸中先生), aged 32, is our chief financial officer and company secretary. He joined our Group on 24 April 2018 and is responsible for overall management of our financial team and supervision of our Group's secretarial, corporate finance, treasury, financial reporting, tax and other related financial matters.

Mr. Wong joined World Link CPA Limited as Auditor II in November 2011 and he was promoted to Senior Auditor III in July 2013 prior to his departure in September 2014. He served as assistant financial controller of Truth & Faith International Limited (a subsidiary of Ausupreme International Holdings Limited, a company listed on the Main Board with stock code: 02031) from January 2015 to September 2016. He was then responsible for financial accounting and reporting, and participating in group corporate finance functions including its initial [**REDACTED**].

Mr. Wong obtained a Bachelor of Business Administration in Accountancy from the Hong Kong Polytechnic University in November 2010. He was admitted as a member of the HKICPA in May 2015.

Mr. LIANG Yuxiang (梁煜祥先生), aged 39, is the financial controller of our Group. He joined our Group on 22 July 2016 and is responsible for management of our financial and accounting departments and supervision of financial matters.

Before joining our Group, Mr. Liang served as the deputy financial officer for Zhuhai International Container Terminals (Gaolan) Limited from May 2011 to October 2015.

Mr. Liang obtained a Master of International Professional Accounting from James Cook University in Australia in September 2008.

Mr. SAM Ngai Wa (岑毅華先生), aged 34, is the engineering director of our Group. He joined our Group as an assistant architect on 15 July 2009. Mr. Sam was promoted to the position of engineering director on 1 January 2017 and is now responsible for the management and supervision of construction projects of our Group.

Mr. Sam obtained a Bachelor of Architecture from Huaqiao University in the PRC in June 2009. He completed a programme for Construction Safety Supervisor jointly organised by the University of Macau and the DSAL in September 2013. Mr. Sam is registered with the DSSOPT as a technician in project elaboration. He was registered with the CAEU as an architect in January 2016.

Mr. KU Chon Fai (古俊輝先生), aged 32, is the engineering director of our Group. He joined our Group as an assistant engineer on 9 October 2009. Mr. Ku was promoted to the position of engineering director on 1 January 2017 and is responsible for the management and supervision of electromechanical projects of our Group.

Mr. Ku received a Bachelor of Science in Electromechanical Engineering from the University of Macau in July 2009. He completed a programme for Construction Safety Supervisor jointly organised by the University of Macau and the DSAL in October 2012. Mr. Ku is registered with the DSSOPT as a technician in project elaboration, project direction and supervision of works. He was registered with the CAEU as an electromechanical engineer in June 2016.

Ms. FAN Hei Man (范曦文女士), aged 25, is the financial manager of our Group. She joined our Group on 1 October 2016 and is responsible for handling the financial, human resources and administrative matters of our Group.

Ms. Fan graduated from the Guangdong Ocean University with a diploma in Accounting in January 2016.

Save as disclosed above, none of the senior management above:

(i) held any other position in our Company or other members of our Group;

(ii) held any relationship with any Directors, senior management, Controlling Shareholder or Substantial Shareholder of our Company;

(iii) held any other directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date; and

(iv) had any interest in the Shares within the meaning of Part XV of the SFO.

BOARD COMMITTEE

The Audit Committee, Remuneration Committee and Nomination Committee were approved to be established by resolutions passed by the Board on 24 October 2019. The memberships of the Board committees are as follows:

Name of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Executive Director			
Mr. Lou		Member	Member
Independent non-executive Directors			
Dr. Lam Chi Kit	Member	Member	Chairman
Dr. Sin Wai Chiu Joseph	Chairman		Member
Mr. Lo Chun Chiu Adrian	Member	Chairman	

Each of the above Board committees has written terms of reference. The functions of the above committees are summarised as follows:

Audit Committee

The Audit Committee has written terms of reference in compliance with Code C.3.3 and C.3.7 of the Corporate Governance Code. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, review the financial statements and materials, provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

Remuneration Committee

The Remuneration Committee has written terms of reference in compliance with Code B.1.2 of the Corporate Governance Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure that none of our Directors is involving in deciding their own remuneration.

Nomination Committee

The Nomination Committee has written terms of reference in compliance with Code A.5.2 of the Corporate Governance Code. The primary duties of the nomination committee are to review the structure, size and composition (including the skills, knowledge and experiences) of the Board annually and make recommendations to the Board on any proposed changes to the Board to complement our Company's corporate strategy, to identify individuals suitably qualified to become our Directors and make recommendations to the Board on the selection of individuals nominated for directorships, to assess the independence of our independent non-executive Directors, and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular that of the chairman of the Board and the chief executive.

The Nomination Committee is also responsible for ongoing implementation and periodic review of our Board diversity policy (the "**Board Diversity Policy**"), which sets out the principles to achieve diversity of our Board. We will ensure the members of our Board have diverse backgrounds that taken together provide our Company a balance of skills and experience appropriate for the requirements of our business. Pursuant to the Board Diversity Policy, we will consider a number of factors (including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, business perspectives and length of service) when deciding on appointments to our Board and the continuation of those appointments.

Our Group values gender diversity and will continue to take steps to promote gender diversity with our Group, including but not limited to the composition of the Board. In recognising the importance of gender diversity, our Group is committed to provide career development opportunities for female staff and targets at recruiting more female staff in the future. The Nomination Committee will identify and recommend at least one female candidate to the Board for consideration on appointment as a Director within three years from the [**REDACTED**].

Our Board comprises seven members, including four executive Directors and three independent non-executive Directors. Our Directors have a balanced composition of experiences. Apart from the construction and engineering experiences possessed by our executive Directors, our independent non-executive Directors have experiences covering medical, legal, accounting and financial management fields.

Based on the above factors, the Board considers that, having regard to our Group's business nature, the industry in which our Group operates and the background of our Directors, the Board composition satisfies the principles under the Board Diversity Policy, despite no female representation in the Board.

CORPORATE GOVERNANCE

Our Company has complied with the principles and applicable code provisions of the Corporate Governance Code, except the deviation from provision A.2.1.

Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Currently, Mr. Lou is acting as the chairman of the Board and our managing director, who in practice operates as the chief executive of our Group. Our Directors are of the view that, since the incorporation of AD&C in November 2003, Mr. Lou has been a key leadership figure of our Group and engaging with the overall management and in formulating our business plans and operating strategies, and our Group has benefited from Mr. Lou's extensive business network in the Macau construction industry and his technical expertise in the engineering fields. As such, our Directors are of the view that it would be in our Group's best interest for Mr. Lou to continue performing the two roles in terms of effective management and business development. Our Directors further believe that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-calibre individuals, with three of them being independent non-executive Directors.

Based on the above factors, the Board considers that the deviation from the code provision A.2.1 of the Corporate Governance Code is appropriate.

The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of the chairman and chief executive officer is necessary.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group and other benefits-in-kind, including our contribution to the retirement benefit scheme. We regularly review and determine the remuneration and compensation packages of our Directors and senior management.

The aggregate amount of remuneration (including salaries, allowances, discretionary bonuses, other benefits and contributions to retirement benefit scheme) paid to our Directors for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 were approximately MOP1.5 million, MOP1.6 million, MOP1.6 million and MOP0.5 million respectively. Details of the arrangement for remuneration are set out in Note 15 to the Accountants' Report.

The aggregate amount of remuneration (including salaries, allowances, discretionary bonuses, other benefits and contributions to retirement benefit scheme) paid to our senior management for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 were approximately MOP1.1 million, MOP1.6 million, MOP1.7 million and MOP0.6 million respectively.

Save as disclosed in the Accountants' Report, no other emoluments have been paid, or are payable, by us to our Directors and senior management.

During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors as an inducement to join or upon joining our Company.

Upon the [**REDACTED**], the Remuneration Committee will make recommendations to the Board on the overall remuneration policy and compensation packages relating to all Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

Pursuant to our Directors' service contracts referred to in the paragraph headed "C. Further information about Substantial Shareholders, Directors and experts – 2. Particulars of service contracts and letters of appointment" in Appendix IV to this document, the aggregate amount of directors' fee and other emoluments payable to our Directors for the year ending 31 December 2019 is estimated to be approximately MOP2.0 million, excluding any discretionary bonus.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Ample Capital Limited as our compliance adviser, who will have access to our Company's authorised representatives, executive Directors and other officers at all reasonable times. The compliance adviser will advise our Company on ongoing compliance requirements and other issues under the Listing Rules and other applicable laws and regulations in Hong Kong after the [**REDACTED**].

Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on, among others, the following matters:

(i) any regulatory announcement, circular or financial report before its publication;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where our Company proposes to use the net [**REDACTED**] of the [**REDACTED**] in a manner different from that set out in this document or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this document; and

(iv) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser will commence on the [**REDACTED**] and will end 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 financial year commencing after the [**REDACTED**], or until the agreement is terminated, whichever is earlier.

EMPLOYEES

As at the Latest Practicable Date, we had 53 employees who were mostly stationed in Macau, for details please refer to the section headed "Business – Employees" in this document.

Our Directors confirm that, during the Track Record Period, we (i) have not experienced any incidence of work stoppage or labour disputes; and (ii) have not encountered difficulty in employing or retaining employees which led to material delays to our operations.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware of immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options to be granted under the Share Option Scheme), the following persons will have an interest or a short position in the 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, directly or indirectly, be 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:

Long position in our Shares

Name	**Nature of interest**	**Number of Shares held or interested**	**Approximate percentage of shareholding**
Seong Wa	Beneficial owner (*Note 1*)	[**REDACTED**]	[**REDACTED**]%
Mr. Lou	Interest in controlled corporation/interest held jointly with another person (*Note 2*)	[**REDACTED**]	[**REDACTED**]%
Mr. Chang	Interest in controlled corporation/interest held jointly with another person (*Note 2*)	[**REDACTED**]	[**REDACTED**]%
Mr. Ao	Interest in controlled corporation/interest held jointly with another person (*Note 2*)	[**REDACTED**]	[**REDACTED**]%
Mr. Leong	Interest in controlled corporation/interest held jointly with another person (*Note 2*)	[**REDACTED**]	[**REDACTED**]%
Ace Hope	Beneficial owner (*Note 3*)	[**REDACTED**]	[**REDACTED**]%
Ms. Chen Qingling	Interest in controlled corporation (*Note 3*)	[**REDACTED**]	[**REDACTED**]%
Talent Leap	Beneficial owner (*Note 4*)	[**REDACTED**]	[**REDACTED**]%
Ms. Wong Yat Tze	Interest in controlled corporation (*Note 4*)	[**REDACTED**]	[**REDACTED**]%

Notes:

1. Seong Wa is a company incorporated in the BVI and will beneficially own approximately [**REDACTED**]% of shareholding interest in our Company immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options to be granted under the Share Option Scheme).

2. Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong will together be deemed as a group of the Controlling Shareholders by the Stock Exchange under the Listing Rules. They are deemed to be interested in the Shares held by Seong Wa.

3. Ace Hope is a company incorporated in the BVI and will beneficially own approximately [**REDACTED**]% of shareholding interest in our Company immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options to be granted under the Share Option Scheme). Ace Hope is wholly owned by Ms. Chen Qingling.

4. Talent Leap is a company incorporated in the BVI and will beneficially own approximately [**REDACTED**]% of shareholding interest in our Company immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options to be granted under the Share Option Scheme). Talent Leap is wholly owned by Ms. Wong Yat Tze.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options to be granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, who will, directly or indirectly, be interested in 10% of 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 and are therefore regarded as our Substantial Shareholders under the Listing Rules.

SHARE CAPITAL

Without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options to be granted under the Share Option Scheme, the share capital of our Company immediately upon completion of the [**REDACTED**] and the [**REDACTED**] will be as follows:

Authorised share capital:

10,000,000,000	Shares	HK$100,000,000

Shares in issue or to be issued, fully paid or credited as filly paid:

12,480	Shares in issue at the date of this document	HK$124.8
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**]	HK$[**REDACTED**]
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**]	HK$[**REDACTED**]

Total:

[**REDACTED**]	Shares	HK$[**REDACTED**]

Assuming that the [**REDACTED**] is exercised in full, and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options to be granted under the Share Option Scheme, the share capital of our Company immediately upon completion of the [**REDACTED**] and the [**REDACTED**] will be as follows:

Authorised share capital:

10,000,000,000	Shares	HK$100,000,000

Shares in issue or to be issued, fully paid or credited as filly paid:

12,480	Shares in issue at the date of this document	HK$124.8
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**]	HK$[**REDACTED**]
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**]	HK$[**REDACTED**]
[**REDACTED**]	Shares to be issued pursuant to the exercise of the [**REDACTED**]	HK$[**REDACTED**]

Total:

[**REDACTED**]	Shares	HK$[**REDACTED**]

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, as of the time of the [**REDACTED**] and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

RANKING

The [**REDACTED**] will rank pari passu in all respects with all the Shares now in issue or to be issued as mentioned in this document, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document, save for participation in the [**REDACTED**].

ISSUE MANDATE

A general unconditional mandate was given to our Directors to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or any exercise of the [**REDACTED**], or any exercise of the options to be granted under the Share Option Scheme or any other share option scheme of our Company, or a specific authority granted by our Shareholders, or pursuant to the [**REDACTED**]) shall not exceed:

(a) 20% of the total Shares of our Company in issue immediately upon completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options to be granted under the Share Option Scheme); and

(b) the aggregate number of Shares repurchased by our Company (if any) pursuant to the Repurchase Mandate.

The Issue Mandate will remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of the Issue Mandate, please refer to the paragraph headed "A. Further information about our Company – 3. Written resolutions of our Shareholders" in Appendix IV to this document.

REPURCHASE MANDATE

A general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase Shares (which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) of not more than 10% of the total Shares of our Company in issue immediately upon completion of the [**REDACTED**] and the [**REDACTED**] (excluding Shares which may be allotted and issued pursuant to the exercise of any options to be granted under the Share Option Scheme).

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "A. Further information about our Company – 6. Repurchase of the Shares by our Company" in Appendix IV to this document.

The Repurchase Mandate will remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of the Repurchase Mandate, please refer to the paragraph headed "A. Further information about our Company – 3. Written resolutions of our Shareholders" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings in accordance with the Articles, a summary of which is set out in Appendix III to this document.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme, a summary of the principal terms of which is set out in the paragraph headed "D. Share Option Scheme" in Appendix IV to this document.

Our Group does not have any outstanding share options, warrants, convertible instruments, pre-[**REDACTED**] share options or similar rights convertible into the Shares as at the Latest Practicable Date.

You should read this section in conjunction with our Group's audited consolidated financial information, including the notes thereto, as set out in the Accountants' Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the 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 our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. For further information, please refer to the section headed "Risk Factors" in this document.

OVERVIEW

Our Group is one of the leading integrated fitting-out contractors in Macau. According to the Frost & Sullivan Report, we are the second largest fitting out contractor in Macau in terms of revenue in 2018. Our Group provides services of (i) fitting-out; (ii) construction; and (iii) repair and maintenance in Macau. Our Group's revenue was approximately MOP175.2 million, MOP322.7 million and MOP400.1 million for the years ended 31 December 2016, 2017 and 2018, respectively, and approximately MOP104.7 million and MOP158.8 million for the four months ended 30 April 2018 and 2019, respectively. During the Track Record Period, all of our Group's revenues were derived from projects in Macau and we undertook projects from both private and public sector customers.

KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been, and will continue to be, affected by a number of factors:

Growth of the fitting-out and construction industry in Macau

Our Directors consider that our revenue growth and results of operations are highly affected by the market demand of fitting-out and construction works in Macau which is determined by an interplay of a number of factors such as the prospects of Macau's economy and government policies and regulations.

According to the Frost & Sullivan Report, the revenue of the fitting-out market had grown at a CAGR of approximately 23.5% from approximately MOP3.2 billion in 2013 to approximately MOP8.9 billion in 2018 which was attributed to sustained development of gaming and tourism industries, as well as the steady growth of construction market in Macau, while the revenue of the building construction market had grown at a CAGR of approximately 15.8% from approximately MOP39.3 billion in 2013 to approximately MOP82.0 billion in 2018 which was primarily due to the new construction of casinos and hotels from 2013 to 2018 in Macau. The revenues of fitting-out and building construction markets are expected to continue to grow at a CAGR of approximately 8.5% to approximately MOP13.5 billion and at a CAGR of approximately 12.7% to approximately MOP148.1 billion in 2023 respectively.

Our Directors believe that we are an experienced service provider in the fitting-out and construction industries, so we are well-positioned to capture the growth of those industries in Macau. However, as most of our projects are one-off projects which are not recurring in nature, there is no assurance that the number of fitting-out and construction projects will not decrease in the future.

Failure to make accurate estimation for submitting tenders or quotations for new projects could materially affect our Group's profitability

The majority of the projects undertaken by our Group were awarded on a project-by-project basis. Our Group has to go through tender or quotation process to secure new project works. The profitability of our Group's projects depends on the price of its tender or quotation, which is determined based on the estimated costs to be incurred plus a mark-up. Our Directors consider that it is crucial to accurately estimate and control the costs of each project in order to meet the expected profit margin.

Our Directors are of the view that in case the tender price of the project awarded to our Group is too low and the actual time and costs involved in completing the project exceeds its estimation at the time when the tender or quotation was submitted, our Group's profitability may be materially and adversely affected if our Group is unable to pass such cost increase to its customers.

Fluctuations in our subcontracting costs

Our cost of services mainly comprises subcontracting fees. Our subcontracting fees amounted to approximately MOP86.8 million, MOP191.6 million and MOP298.0 million for the years ended 31 December 2016, 2017 and 2018, respectively, and approximately MOP70.4 million and MOP115.9 million for the four months ended 30 April 2018 and 2019, respectively, which accounted for approximately 71.2%, 78.5%, 93.0%, 90.4% and 92.7% of our cost of services for the respective years or periods. As a result, our profitability heavily depends on our ability to control and manage our subcontracting fees.

Depending on the requirements of a project, subcontractors with different skills may be required and there is no assurance that competent subcontractors will always be available. However, our Group consider such risk to be low and our Directors confirmed that we have not experienced any shortages in subcontractors during the Track Record Period and up to the Latest Practicable Date that would materially affect our operation or financial condition.

Sensitivity analysis

The following table illustrates the impact of hypothetical fluctuations and historical maximum change in subcontracting fees on our profit before tax during the Track Record Period, assuming all other variables remain constant.

Hypothetical fluctuations in our subcontracting fees	**+/-5%**	**+/-10%**	**+/-120.6%**
	MOP'000	*MOP'000*	*MOP'000* *(Note)*
Decrease/increase in profit before tax			
For the year ended 31 December 2016	4,341	8,682	104,700
For the year ended 31 December 2017	9,578	19,156	231,018
For the year ended 31 December 2018	14,898	29,795	359,331
For the four months ended 30 April 2018	3,521	7,042	84,928
For the four months ended 30 April 2019	5,794	11,588	139,755

Note: The percentage of 120.6% adopted refers to the maximum change in the subcontracting fees during the Track Record Period. For details of the change in subcontracting fees, please refer to the paragraph headed "Cost of services – subcontracting fees" in this section.

Collectability and timing of collection of our trade receivables

On a regular basis, usually on a monthly basis, our Group's customers and/or their consultants will carry out inspections on the completed works upon our Group's request to verify the amount to be received by our Group. Upon agreement with our customers, our Group will issue invoices to our customers and they are required to pay us the amount certified less retention money. Our Group usually allows a credit period of up to 90 days to our customers. For further details of progress claims, please refer to the section headed "Business – Our operation flow – Project implementation – (ix) Progress payment and retention money" in this document. In addition, our customers may retain 5% to 10% of the total contract sum as retention money, which will only be fully released to us subsequent to the expiration of the defects liability period, which ranges from 12 to 60 months for its fitting-out projects and construction projects. There is no assurance that such retention money will be released to us on a timely basis.

As at 30 April 2019, the trade receivables and retention receivables were approximately MOP72.5 million and MOP52.6 million, respectively. Any failure by the customers to make payments to us on time and in full may have an adverse impact on the liquidity and financial position of our Group.

We continuously monitor collections and payments from our customers and review the recoverability of our trade and other receivables regularly to consider if an impairment loss is required. During the Track Record Period, no impairment loss in respect of trade and other receivables was required.

BASIS OF PRESENTATION

Pursuant to the Reorganisation, our Company became the holding company of the companies now comprising our Group on 22 January 2018. Subject to the acquisition of Huarchi Global, Q.F. Stone and S.J. Construction by the Group on 22 January 2016, details of which are set out in the Note 2 to the Accountant's Report in Appendix I to this document, the historical financial information has been prepared based on the accounting policies set out in Note 4 to the Accountant's Report in Appendix I to this document, which conforms with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the HKICPA and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG5") issued by the HKICPA, as if the group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period. Please refer to Note 2 to the Accountants' Report in Appendix I to this document for details.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of the results of operations and financial position of our Group in this document are based on the consolidated financial statements prepared in accordance with the HKFRS issued by the HKICPA. Details of the significant accounting policies are set forth in Note 4 to the Accountants' Report in Appendix I to this document.

In applying the accounting policies, we are required to make judgements, estimates and assumptions on certain accounting items. The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances. The determination of these items requires management's judgements based on information and financial data that may change in the future periods, and as a result, actual results could differ significantly from those estimates. When reviewing our financial information, you should consider (i) our selection of significant accounting policies; (ii) our judgement and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. Please refer to Note 5 to the Accountants' Report set out in Appendix I to this document for details.

Effect of the adoption of HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15")

Our Group adopted HKFRS 15, related amendments to HKFRS 15 "*Clarifications to HKFRS 15 Revenue from Contracts with Customers*", together with the relevant transitional provisions on a consistent basis throughout the Track Record Period. The adoption of HKFRS 15, its related amendments and transitional provisions did not have significant impact on our Group's financial position and performance during the Track Record Period when compared to that of HKAS 18 *Revenue* ("HKAS 18"). The adoption only resulted in more disclosures of the historical financial information of our Group throughout the Track Record Period.

Effect of the adoption of HKFRS 9 *Financial Instruments* ("HKFRS 9")

Our Group adopted HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39") for the years ended 31 December 2016 and 2017. We changed to adopt HKFRS 9 instead of HKAS 39 since 1 January 2018. The adoption of HKFRS 9 did not have significant impact on our Group's financial position and performance for the year ended 31 December 2018 and the four months ended 30 April 2019 when compared to that of HKAS 39.

Effect of the adoption of HKFRS 16 *Leases* ("HKFRS 16")

Our Group adopted HKFRS 16 on a consistent basis throughout the Track Record Period. The adoption of HKFRS 16 did not have material impact on our Group's profit and total comprehensive income for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 and our Group's net assets as at 31 December 2016, 2017 and 2018 and 30 April 2019 as compared to the adoption of HKAS 17 Leases ("HKAS 17"). The adoption resulted in more detailed disclosures of the historical financial information of our Group throughout the Track Record Period.

SUMMARY OF RESULTS OF OPERATIONS

The following table summarises the selected items in the consolidated statements of profit or loss and other comprehensive income during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this document.

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* *(unaudited)*	*MOP'000*
Revenue	175,216	322,724	400,085	104,681	158,840
Cost of services	(121,957)	(244,140)	(320,469)	(77,875)	(125,066)
Gross profit	53,259	78,584	79,616	26,806	33,774
Profit before taxation	29,526	56,402	55,573	18,606	27,353
Income tax expense	(4,160)	(6,725)	(7,131)	(2,683)	(3,613)
Profit and total comprehensive income for the year/period	25,366	49,677	48,442	15,923	23,740

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue increased by approximately 84.2% from approximately MOP175.2 million for the year ended 31 December 2016 to approximately MOP322.7 million for the year ended 31 December 2017, and further increased by approximately 24.0% to approximately MOP400.1 million for the year ended 31 December 2018. Our revenue increased by approximately 51.7% from approximately MOP104.7 million for the four months ended 30 April 2018 to approximately MOP158.8 million for the four months ended 30 April 2019. Such increasing trend was in line with the increase in demand of fitting-out and construction works in Macau, as discussed in "Industry Overview – Overview of the building construction and fitting-out market in Macau".

Further details of the key projects contributing to our revenue are set out in "Business – Our projects".

Revenue breakdown by type of works

We principally derive our revenue from carrying out fitting-out and construction works in Macau. The following table sets forth a breakdown of our revenue by the type of works during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000* *(unaudited)*	*%*	*MOP'000*	*%*
Fitting-out	166,803	95.2	297,318	92.1	392,700	98.2	104,379	99.7	158,016	99.4
Construction	7,696	4.4	24,696	7.7	5,662	1.4	–	–	795	0.5
Repair and maintenance	717	0.4	710	0.2	1,723	0.4	302	0.3	29	0.1
Total revenue	175,216	100.0	322,724	100.0	400,085	100.0	104,681	100.0	158,840	100.0

(i) Fitting-out

For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, revenue derived from fitting-out works amounted to approximately MOP166.8 million, MOP297.3 million, MOP392.7 million, MOP104.4 million and MOP158.0 million, respectively, and represented approximately 95.2%, 92.1%, 98.2%, 99.7% and 99.4% of our total revenue, respectively.

The revenue derived from fitting-out works increased by approximately 78.2% from approximately MOP166.8 million for the year ended 31 December 2016 to approximately MOP297.3 million for the year ended 31 December 2017. Such increase was mainly attributed to four public sector projects and three private sector projects undertaken by us during the two years ended 31 December 2017 of which a more significant proportion of revenues was recognised for the year ended 31 December 2017 as compared to the year ended 31 December 2016. The following table sets forth the details of the seven projects as mentioned above.

Project number	Type of project	Customer *(Note 1)*	Major scope of works	Revenue recognised for the years ended 31 December 2016		Gross profit margin for the years ended 31 December 2016		Stage of completion as at 31 December 2016	
				2016	2017	2016	2017	2016	2017
				MOP'000		%		%	
12	Public	Customer D	Building construction such as brick laying, plastering, metal work and glasswork	3,484	29,391	36.8	30.4	8.6	69.3
8	Public	Customer A	Building construction such as ceiling work, glazing, installation of doors and sanitary wares	1,737	20,561	14.0	8.0	7.8	100.0
9	Public	Customer A	Building construction and drainage system	2,433	19,857	17.5	8.8	10.9	100.0
11	Public	A Macau Government bureau	Building construction such as brick laying, platform decoration, plastering and ceiling work	99	13,644	7.0	(2.9) *(Note 2)*	0.8	100.0
7	Private	Tek Pou Engineering Company Limited	Plastering and marble work	12,742	45,515	38.0	34.9	25.8	100.0
10	Private	Ming Shun Construction and Property Investment Limited	Lift car fitting out	–	12,433	–	1.7	–	100.0
13	Private	Ming Shun Construction and Property Investment Limited	Plastering	–	46,420	–	22.2	–	26.4

Notes:

(1) For details of the background of the customers, please refer to the section headed "Business – Customers – Major customers" in this document.

(2) The negative profit margin of 2.9% was mainly attributed to the occurrence of Typhoon Hato. Typhoon Hato caused damage to the fire services system, power system, ELV system, etc of the project and additional works were required to repair such damages, resulting in higher costs incurred.

The revenue derived from fitting-out works increased by approximately 32.1% from approximately MOP297.3 million for the year ended 31 December 2017 to approximately MOP392.7 million for the year ended 31 December 2018. Such increase was mainly attributed to a private sector project undertaken by us during the years ended 31 December 2017 and 2018 of which a more significant proportion of revenues was recognised during the year ended 31 December 2018 as compared to the year ended 31 December 2017. The following table sets forth the details of this project.

Project number	Type of project	Customer *(Note)*	Major scope of works	Revenue recognised for the years ended 31 December		Gross profit margin for the years ended 31 December		Stage of completion as at 31 December	
				2017	2018	2017	2018	2017	2018
				MOP'000		%		%	
13	Private	Ming Shun Construction and Property Investment Limited	Plastering	46,420	168,657	22.2	23.2	26.4	99.3

Note: For details of the background of the customer, please refer to the section headed "Business – Customers – Major customers" in this document.

The revenue derived from fitting-out works increased by approximately 51.4% from approximately MOP104.4 million for the four months ended 30 April 2018 to approximately MOP158.0 million for the four months ended 30 April 2019. Such increase was mainly attributed to a significant private sector project undertaken by us during the four months ended 30 April 2019, of which its revenue accounted for approximately 31.5% of our total revenue derived from fitting-out works for the same period. The following table sets forth the details of this project.

Project number	Type of project	Customer *(Note)*	Major scope of works	Revenue recognised for the four months ended 30 April		Gross profit margin for the four months ended 30 April		Stage of completion as at 30 April	
				2018	2019	2018	2019	2018	2019
				MOP'000		%		%	
21	Private	明傑建築有限公司	Fitting out	–	50,039	–	24.8	–	64.6

Note: For details of the background of the customer, please refer to the section headed "Business – Customers – Major customers" in this document.

(ii) Construction

For years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, revenue derived from construction projects amounted to approximately MOP7.7 million, MOP24.7 million, MOP5.7 million, nil, MOP795,000 respectively, and represented approximately 4.4%, 7.7%, 1.4%, nil and 0.5% of our total revenue, respectively.

The revenue derived from construction works increased by approximately 2.2 times from approximately MOP7.7 million for the year ended 31 December 2016 to approximately MOP24.7 million for the year ended 31 December 2017. Such increase was mainly attributed to a public sector project of which a more significant proportion of revenue was recognised for the year ended 31 December 2017 as compared to the year ended 31 December 2016. The following table sets forth details of the project as mentioned:

Project number	Type of project	Customer *(Note)*	Major scope of works	Revenue recognised for the years ended 31 December		Gross profit margin for the years ended 31 December		Stage of completion as at 31 December	
				2016	**2017**	**2016**	**2017**	**2016**	**2017**
				MOP'000		%		%	
6	Public	Customer C	Building sewage pump and drainage system	6,750	24,058	30.0	27.4	25.4	100.0

Note: For details of the background of the customer, please refer to the section headed "Business – Customers – Major customers" in this document.

The revenue derived from construction works decreased by approximately 77.1% from approximately MOP24.7 million for the year ended 31 December 2017 to approximately MOP5.7 million for the year ended 31 December 2018. It was because our Group had three construction projects during the Track Record Period, one of which was a significant project undertaken during the three years ended 31 December 2018, and a more significant proportion of revenues was recognised during the year ended 31 December 2017 as compared to the year ended 31 December 2018. The following Table sets forth the details of the project as mentioned:

Project number	Type of project	Customer *(Note)*	Major scope of works	Revenue recognised for the years ended		Gross profit margin for the years ended		Stage of completion as at 31 December	
				2017	**2018**	**2017**	**2018**	**2017**	**2018**
				MOP'000		%		%	
6	Public	Customer C	Building sewage pump and drainage system	24,058	1,196	27.4	33.9	100.0	100.0

Note: For details of the background of the customer, please refer to the section headed "Business – Customers – Major customers" in this document.

The revenue derived from construction works was nil for the four months ended 30 April 2018 and MOP795,000 for the four months ended 30 April 2019. Our Group only undertook two out of three construction projects during the four months ended 30 April 2018, and no works were certified for the four months ended 30 April 2018.

(iii) Repair and maintenance

For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, revenue derived from repair and maintenance works amounted to approximately MOP717,000, MOP710,000, MOP1.7 million, MOP302,000 and MOP29,000, respectively, and represented approximately 0.4%, 0.2%, 0.4%, 0.3% and 0.1% of our total revenue, respectively.

The revenue derived from repair and maintenance works remained steady for the two years ended 31 December 2017. It increased by approximately 1.4 times from approximately MOP710,000 for the year ended 31 December 2017 to approximately MOP1.7 million for the year ended 31 December 2018. Such increase was mainly attributed to an increase in the number of repair and maintenance projects undertaken in the year ended 31 December 2018 (i.e., 35 projects) as compared to the year ended 31 December 2017 (i.e., 14 projects).

The revenue derived from repair and maintenance works decreased by approximately 90.4% from approximately MOP302,000 for the four months ended 30 April 2018 to approximately MOP29,000 for the four months ended 30 April 2019. Such decrease was mainly attributed to a decrease in the number of repair and maintenance projects undertaken in the four months ended 30 April 2019 (i.e., three projects) as compared to the four months ended 30 April 2018 (i.e., 13 projects).

Revenue breakdown by sector

We derived our revenue from both public and private sectors in Macau during the Track Record Period. The following table sets forth a breakdown of our revenue by sector during the Track Record Period:

	Year ended 31 December						**Four months ended 30 April**			
	2016		**2017**		**2018**		**2018**		**2019**	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000* *(unaudited)*	*%*	*MOP'000*	*%*
Public sector	98,401	56.2	159,600	49.5	77,137	19.3	18,895	18.1	24,176	15.2
Private sector	76,815	43.8	163,124	50.5	322,948	80.7	85,786	81.9	134,664	84.8
Total revenue	175,216	100.0	322,724	100.0	400,085	100.0	104,681	100.0	158,840	100.0

(i) Public sector

We undertook projects of which the customers are the Macau Government or other government entities or statutory bodies in Macau. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, revenue derived from projects from the public sector amounted to approximately MOP98.4 million, MOP159.6 million, MOP77.1 million, MOP18.9 million and MOP24.2 million, respectively, and represented approximately 56.2%, 49.5%, 19.3%, 18.1% and 15.2% of our total revenue, respectively.

The revenue generated from public sector increased by approximately 62.2% from approximately MOP98.4 million for the year ended 31 December 2016 to approximately MOP159.6 million for the year ended 31 December 2017. Such increase was mainly attributed to the increase in the number of projects from public sector undertaken in the year ended 31 December 2017 (i.e., 50 projects) as compared to the year ended 31 December 2016 (i.e., 34 projects).

The revenue generated from public sector decreased by approximately 51.7% from approximately MOP159.6 million for the year ended 31 December 2017 to approximately MOP77.1 million for the year ended 31 December 2018. The higher revenue generated from public sector in the year ended 31 December 2017 was mainly attributed to (i) two fitting-out projects completed by us in July 2017, and hence none of their revenues were recognised in the year ended 31 December 2018; and (ii) one fitting out project and one construction project, each of which a more significant proportion of revenues was recognised for the year ended 31 December 2017 as compared to the year ended 31 December 2018.

The revenue generated from public sector increased by approximately 27.9% from approximately MOP18.9 million for the four months ended 30 April 2018 to approximately MOP24.2 million for the four months ended 30 April 2019. Such increase was mainly attributed to a significant fitting-out project undertaken by us during the four months ended 30 April 2019, of which its revenue recognised for the four months end 30 April 2019 accounted for approximately 54.0% of the total revenue generated from public sector for the same period.

(ii) Private sector

We undertook projects from private sector customers including operators of hotels and restaurants, education institutions and property owners. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, revenue derived from projects from the private sector amounted to approximately MOP76.8 million, MOP163.1 million, MOP323.0 million, MOP85.8 million and MOP134.6 million, respectively, and represented approximately 43.8%, 50.5%, 80.7%, 81.9% and 84.8% of our total revenue, respectively.

The revenue generated from private sector increased by approximately 1.1 times from approximately MOP76.8 million for the year ended 31 December 2016 to approximately MOP163.1 million for the year ended 31 December 2017, and further increased by approximately 98.0% to approximately MOP323.0 million for the year ended 31 December 2018. The increase in the revenue between the years ended 31 December 2016 and 2017 was mainly attributed to four fitting-out projects undertaken during such periods, of which a more significant proportion of revenues was recognised in the year ended 31 December 2017 as compared to the year ended 31 December 2016. The increase in the revenue between the years ended 31 December 2017 and 2018 was mainly attributed to a significant fitting-out project (i.e., Project 13 as disclosed in the foregoing) undertaken by us during the period from June 2017 to February 2019, of which a significant proportion of revenue was recognised in the year ended 31 December 2018 as compared to the year ended 31 December 2017.

The revenue generated from private sector increased by approximately 57.0% from approximately MOP85.8 million for the four months ended 30 April 2018 to approximately MOP134.6 million for the four months ended 30 April 2019. Such increase was mainly attributed to the significant fitting-out project as elaborated in the foregoing.

Revenue breakdown by the role we undertook

The following table sets forth a breakdown of our revenue by the role we undertook during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000* (unaudited)	*%*	*MOP'000*	*%*
Main contractor	101,118	57.7	164,739	51.0	75,938	19.0	18,259	17.4	25,942	16.3
Subcontractor	74,098	42.3	157,985	49.0	324,147	81.0	86,422	82.6	132,898	83.7
Total revenue	175,216	100.0	322,724	100.0	400,085	100.0	104,681	100.0	158,840	100.0

(i) Main contractor

For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, revenue derived from projects where we acted as a main contractor amounted to approximately MOP101.1 million, MOP164.7 million, MOP75.9 million, MOP18.3 million and MOP25.9 million, respectively, and represented approximately 57.7%, 51.0%, 19.0%, 17.4% and 16.3% of our total revenue, respectively.

The revenue derived from the projects where we acted as a main contractor increased by approximately 62.9% from MOP101.1 million for the year ended 31 December 2016 to approximately MOP164.7 million for the year ended 31 December 2017, and then decreased by approximately 53.9% to approximately MOP75.9 million for the year ended 31 December 2018. As the projects where we acted as a main contractor were mainly awarded by our public sector customers, the changes in revenue derived from the projects where we acted as a main contractor were in line with the changes in revenue from public sector customers for the years ended 31 December 2016, 2017 and 2018 as elaborated in the foregoing.

The revenue derived from the projects where we acted as a main contractor increased by approximately 42.1% from approximately MOP18.3 million for the four months ended 30 April 2018 to approximately MOP25.9 million for the four months ended 30 April 2019. As the projects where we acted as a main contractor were mainly awarded by our public sector customers, the change in revenue derived from the projects where we acted as a main contractor was in line with the change in revenue from public sector customers between the four months ended 30 April 2018 and 2019 as elaborated in the foregoing.

(ii) Subcontractor

For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, revenue derived from projects where we acted as a subcontractor amounted to approximately MOP74.1 million, MOP158.0 million, MOP324.2 million, MOP86.4 million and MOP132.9 million, respectively, and represented approximately 42.3%, 49.0%, 81.0%, 82.6% and 83.7% of our total revenue, respectively.

The revenue derived from the projects where we acted as a subcontractor, increased by approximately 1.1 times from approximately MOP74.1 million for the year ended 31 December 2016 to approximately MOP158.0 million for the year ended 31 December 2017, and further increased by approximately 1.1 times to approximately MOP324.2 million for the year ended 31 December 2018. As the projects where we acted as a subcontractor were mainly awarded by our private sector customers, such increasing trend was in line with the increase in revenue derived from private sector customers for the years ended 31 December 2016, 2017 and 2018.

The revenue derived from the projects where we acted as a subcontractor, increased by approximately 53.8% from approximately MOP86.4 million for the four months ended 30 April 2018 to approximately MOP132.9 million for the four months ended 30 April 2019. As the projects where we acted as a subcontractor were mainly awarded by our private sector customers, the change in revenue derived from the projects where we acted as a subcontractor was in line with the change in revenue from private sector customers between the four months ended 30 April 2018 and 2019 as elaborated in the foregoing.

Revenue breakdown by recognition methods

Our Group recognised revenue derived from provision of fitting-out, construction and repair and maintenance services either (i) over time by input or output method, (ii) at a point in time. The table below sets forth a breakdown of our Group's revenue by recognition methods during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000* *(unaudited)*	*%*	*MOP'000*	*%*
Revenue recognised over time										
Input method	79,709	45.5	32.256	10.0	16,864	4.2	11,940	11.4	581	0.4
Output method	94,790	54.1	289,758	89.8	381,498	95.4	92,439	88.3	158,230	99.6
Revenue recognised at a point in time	717	0.4	710	0.2	1,723	0.4	302	0.3	29	0.0
Total revenue	175,216	100.0	322,724	100.0	400,085	100.0	104,681	100.0	158,840	100.0

When the progress towards complete satisfaction of the performance obligations of a contract can be measured reasonably, revenue from fitting-out and construction works is recognised using the percentage of completion method, measured by reference to the amount of work performed to date as a percentage of total contract sum. Under output method, the work performed is established according to the progress certificate confirmed by the customers. Under input method, the work performed is measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs.

Our Directors consider that progress certificates confirmed by customers are the only directly observable and faithful depiction to measure our Group's performance and progress. As such, for projects where the customers confirm progress certificates, output method is to be adopted; and the only circumstance that leads to the adoption of input method for a particular project is the lack of progress certificates confirmed by customers.

Cost of services

The following table sets forth a breakdown of our cost of services during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000* (unaudited)	*%*	*MOP'000*	*%*
Subcontracting fees	86,816	71.2	191,557	78.5	297,953	93.0	70,421	90.4	115,883	92.7
Staff costs	3,345	2.7	6,410	2.6	3,615	1.1	852	1.1	451	0.4
Material costs	24,755	20.3	37,539	15.4	14,023	4.4	5,860	7.5	5,639	4.5
Others	7,041	5.8	8,634	3.5	4,878	1.5	742	1.0	3,093	2.4
Total cost of services	121,957	100.0	244,140	100.0	320,469	100.0	77,875	100.0	125,066	100.0

Subcontracting fees

Subcontracting fees represent costs paid to our subcontractors to carry out our works which often include both the wages for subcontractors' employees and the procurement cost of materials and equipment by our subcontractors. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, subcontracting fees represented approximately 71.2%, 78.5%, 93.0%, 90.4% and 92.7% of our cost of services, respectively.

Our subcontracting fees increased by approximately 120.6% from approximately MOP86.8 million for the year ended 31 December 2016 to approximately MOP191.6 million for the year ended 31 December 2017. Such increase was in line with the increase in revenue.

Our subcontracting fees increased by approximately 55.5% from approximately MOP191.6 million for the year ended 31 December 2017 to approximately MOP298.0 million for the year ended 31 December 2018. Such increase was mainly attributable to (i) the increase in revenue; and (ii) to a larger extent, engagement of subcontractors who procured the raw materials on their own and in turn charged us in the form of subcontracting fees. Therefore, such increase in subcontracting fee was concurrent with the decrease in material costs as discussed below.

Our subcontracting fees increased by approximately 64.6% from approximately MOP70.4 million for the four months ended 30 April 2018 to approximately MOP115.9 million for the four months ended 30 April 2019. Such increase was in line with the increase in revenue.

Staff costs

Staff costs mainly represent salaries and other benefits paid to our direct labour who is directly involved in our projects. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, staff costs represented approximately 2.7%, 2.6%, 1.1%, 1.1% and 0.4% of our cost of services, respectively.

Our staff costs increased by approximately 101.0% from approximately MOP3.3 million for the year ended 31 December 2016 to approximately MOP6.4 million for the year ended 31 December 2017. Such increase was in line with the increase in revenue.

Our staff costs decreased by approximately 43.6% from approximately MOP6.4 million for the year ended 31 December 2017 to approximately MOP3.6 million for the year ended 31 December 2018. Such decrease was mainly because we engaged subcontractors to carry out works to a larger extent and employed less direct labour during the year ended 31 December 2018. Such decrease in staff cost was concurrent with the increase in subcontracting fees.

Our staff costs decreased by approximately 47.1% from approximately MOP852,000 for the four months ended 30 April 2018 to approximately MOP451,000 for the four months ended 30 April 2019. Such decrease was mainly because we engaged subcontractors to carry out works to a larger extent and employed less direct labour during the four months ended 30 April 2019. Such decrease in staff cost was concurrent with the increase in subcontracting fees.

Material costs

Material costs represent costs paid for materials such as cement, sand, rocks and marble procured by us in carrying out our works. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, material costs represented approximately 20.3%, 15.4%, 4.4%, 7.5% and 4.5% of our cost of services, respectively.

Our material costs increased by approximately 51.6% to approximately MOP37.5 million for the year ended 31 December 2017. Such increase was in line with the increase in revenue.

Our material cost decreased by approximately 62.6% from approximately MOP37.5 million for the year ended 31 December 2017 to approximately MOP14.0 million for the year ended 31 December 2018. Such decrease was mainly attributed to the larger extent where our Group was not responsible for procurement of raw materials in projects, which is concurrent with the increase in subcontracting fees as discussed above.

Our material costs remained steady at approximately MOP5.9 million and MOP5.6 million for the four months ended 30 April 2018 and 2019, respectively.

Others

Other direct costs include repair and maintenance costs, design fees, machinery leasing expenses and miscellaneous expenses. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, other direct costs represented approximately 5.8%, 3.5%, 1.5%, 1.0% and 2.4% of our cost of services, respectively.

Other direct costs increased by approximately 22.6% from approximately MOP7.1 million for the year ended 31 December 2016 to approximately MOP8.6 million for the year ended 31 December 2017. Such increase was in line with the increase in revenue.

Other direct costs decreased by approximately 43.5% from approximately MOP8.6 million for the year ended 31 December 2017 to approximately MOP4.9 million for the year ended 31 December 2018. Such decrease was mainly because we engaged subcontractors to carry out works to a larger extent and incurred lower other direct costs during the year ended 31 December 2018. Such decrease in other direct costs was concurrent with the increase in subcontracting fees.

Other direct costs increased by approximately 3.2 times from approximately MOP742,000 for the four months ended 30 April 2018 to approximately MOP3.1 million for the four months ended 30 April 2019. Such increase was in line with the increase in the revenue.

Gross profit and gross profit margin

(i) Year ended 31 December 2016 compared to year ended 31 December 2017

Our gross profit increased by approximately 47.6% from approximately MOP53.3 million for the year ended 31 December 2016 to approximately MOP78.6 million for the year ended 31 December 2017. Such increase was in line with the increase in our revenue.

Our gross profit margin decreased from approximately 30.4% for the year ended 31 December 2016 to approximately 24.4% for the year ended 31 December 2017. The higher gross profit margin for the year ended 31 December 2016 was mainly attributed to the three public sector fitting-out projects under joint-tender arrangement of which our Group was delegated only the project management tasks and did not incur direct costs such as subcontracting fee and material costs, and a significant proportion of the revenue and gross profit of those projects was recognised in the year ended 31 December 2016 as compared with the year ended 31 December 2017. For further details of the joint-tender arrangement, please refer to the section headed "Business – Our operation flow – Tender/quotation process" in this document.

The following table sets forth the revenue and gross profit of the three projects under joint-tender arrangement recognised during the Track Record Period:

Project number	Customer	Type of building	Revenue recognised for the years ended 31 December *(MOP'000)*		Gross profit margin for the years ended 31 December *(%)*	
			2016	**2017**	**2016**	**2017**
JT1	Shing Lung Construction and Engineering Company Limited	Public housing	7,685	445	100.0	100.0
JT2	Shing Lung Construction and Engineering Company Limited	Public health infrastructure and elderly care facilities	4,238	314	100.0	100.0
JT3	Shing Lung Construction and Engineering Company Limited	Government office building and its surrounding areas	616	4,160	100.0	100.0

Notes:

1. All projects were completed in 2017.

2. For the details of the contract sum of the projects, scope of work for and roles undertaken by contractor-in-charge and joint contractors respectively, please refer to the section headed "Business – Our operation flow – Tender/quotation process" in this document.

3. All projects had gross profit margin of 100.0% for the years ended 31 December 2016 and 2017, respectively as our Group did not incur any direct costs such as subcontracting fees and material costs attributable to those projects. However, those projects did incur some indirect costs such as administrative expenses.

4. In determining the timing and criteria of recognising revenues from joint-tender projects where our Group assumed the role of joint-contractor, i.e. Projects JT1, JT2 and JT3, our Group had mainly considered whether the performance obligation was satisfied. The performance obligation of our Group was satisfied over time since our customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The recognition of revenue deriving from Category 1 and Category 2 services of Projects JT1, JT2 and JT3 were based on milestone which was due delivery and acceptance of the specified deliverables, such as works programme, shop drawings etc., which could faithfully depict the Group's performance towards complete satisfaction of the performance obligations. On the contrary, for Category 3 services, revenue was based on straight-line basis over the project period. For details of various categories of services provided by our Group in Projects JT1, JT2 and JT3, please refer to the section headed "Business – Our operation flow – Tender/quotation process" in this document.

(ii) Year ended 31 December 2017 compared to year ended 31 December 2018

Our gross profit increased by approximately 1.3% from approximately MOP78.6 million for the year ended 31 December 2017 to approximately MOP79.6 million for the year ended 31 December 2018. Such increase was in line with the increase in revenue.

Our gross profit margin decreased from approximately 24.4% for the year ended 31 December 2017 to approximately 19.9% for the year ended 31 December 2018. Such decrease in gross profit margin was mainly attributed to the decrease in gross profit margin of fitting-out works as elaborated below.

(iii) Four months ended 30 April 2018 compared to four months ended 30 April 2019

Our gross profit increased by approximately 26.0% from approximately MOP26.8 million for the four months ended 30 April 2018 to approximately MOP33.7 million for the four months ended 30 April 2019. Such increase was in line with the increase in revenue.

Our gross profit margin decreased from approximately 25.6% for the four months ended 30 April 2018 to approximately 21.3% for the four months ended 30 April 2019. Such decrease in gross profit margin was mainly attributed to the decrease in gross profit margin of fitting-out works as elaborated below.

Our overall gross profit margin showed a decreasing trend throughout the Track Record Period, which was mainly attributable to some projects of which the gross profit margin was heavily influenced by project-specific factors and/or one-off events. Those projects included, but not limited to, (i) the three public sector fitting-out projects under joint-tender arrangement as mentioned in the foregoing, (ii) projects interrupted by the occurrence of typhoons, (iii) projects where we were demanded to rectify some works already performed and (iv) projects where substantial costs were incurred for maintenance works within the defect liability period.

After excluding the financial impact of those projects, our gross profit margin for public sector projects remained flat ranging from approximately 13.7% to 14.7% throughout the Track Record Period, while the gross profit margin for private sector projects remained flat ranging from approximately 25.9% to 27.8% during the three years ended 31 December 2018. The gross profit margin for private sector projects for the four months ended 30 April 2019 after excluding the financial impact of those projects was approximately 23.8%. Such slightly lower gross profit margin was mainly because the projects with total contract sum of over MOP10.0 million contributed a large proportion of total revenue for the four months ended 30 April 2019, and in general, gross profit margin of large-scale projects (i.e., with contract sum of over MOP10.0 million) was lower than that of small-scale projects (i.e., with contract sum of less than MOP10.0 million).

For details of the material projects of which the gross profit margin was heavily influenced by project-specific factors and/or one-off events, please refer to the section headed "Financial Information – Principal components of consolidated statements of profit or loss and other comprehensive income – Gross profit and gross profit margin" in this document.

Gross profit and gross profit margin breakdown by type of work

The following table sets forth our gross profit and gross profit margin by the type of works during the Track Record Period:

	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
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000* *(unaudited)*	*%*	*MOP'000*	*%*
Fitting-out	50,781	30.4	71,378	24.0	77,588	19.8	26,703	25.6	33,656	21.3
Construction	2,158	28.0	6,689	27.1	1,103	19.5	–	–	97	12.2
Repair and maintenance	320	44.6	517	72.8	925	53.7	103	34.1	21	72.4
Total/overall	53,259	30.4	78,584	24.4	79,616	19.9	26,806	25.6	33,774	21.3

Our gross profit margin was approximately 30.4%, 24.4% and 19.9% for the years ended 31 December 2016, 2017 and 2018, respectively, and approximately 25.6% and 21.3% for the four months ended 30 April 2018 and 2019, respectively.

(i) Fitting-out

The gross profit margin for fitting-out works decreased from approximately 30.4% for the year ended 31 December 2016 to approximately 24.0% for the year ended 31 December 2017. Such decrease was mainly attributed to the three public sector fitting-out projects under joint-tender arrangement elaborated in the foregoing.

The gross profit margin for fitting-out works decreased from approximately 24.0% for the year ended 31 December 2017 to approximately 19.8% for the year ended 31 December 2018. The higher gross profit margin for the year ended 31 December 2017 was mainly attributed to the following: (i) a private sector project with design works undertaken in the year ended 31 December 2017 only of which no revenue was recognised during the year ended 31 December 2018. According to our Directors' understanding, we can generally charge a higher gross profit margin for the projects with engineering design works; and (ii) a public sector project undertaken during the two years ended 31 December 2018. The gross profit margin of this project was lower for the year ended 31 December 2018 as compared to the year ended 31 December 2017 because additional cost was incurred for wall painting work during the year ended 31 December 2018.

The gross profit margin for fitting-out works decreased from approximately 25.6% for the four months ended 30 April 2018 to approximately 21.3% for the four months ended 30 April 2019. Our Directors confirm that such decrease was mainly attributed to the extension of project timeframe of a private sector project undertaken by us as a result of the occurrence of Super Typhoon Mangkhut in September 2018. Such extension of project timeframe led to an increase in subcontracting fees paid to our subcontractors which in turn lowered the gross profit margin of that project.

(ii) Construction

The gross profit margin for construction works remained steady at approximately 28.0% and 27.1% for the years ended 31 December 2016 and 2017 respectively. The gross profit margin for construction works decreased from approximately 27.1% for the year ended 31 December 2017 to approximately 19.5% for the year ended 31 December 2018. The lower gross profit margin for the year ended 31 December 2018 was mainly attributed to a public sector project undertaken in June 2018. Additional costs were incurred in this project because the agreed subcontracting fees for a subcontractor were higher than the subcontractor's fees in its quotation.

As our Group did not recognise any revenue from construction works for the four months ended 30 April 2018, the gross profit margin was not applicable for that period. The gross profit margin for construction works was approximately 12.2% for the four months ended 30 April 2019.

(iii) Repair and maintenance

The gross profit margin for repair and maintenance works increased from approximately 44.6% for the year ended 31 December 2016 to approximately 72.8% for the year ended 31 December 2017, and then decreased to approximately 53.7% for the year ended 31 December 2018. The higher gross profit margin for the year ended 31 December 2017 was mainly attributed to two public sector projects where we had previously carried out fitting-out works for the respective building. According to our Directors' understanding, as public sector customers tend to award repair and maintenance projects to the contractors which have carried out fitting-out works for the same building, we therefore charged a higher gross profit margin for those projects in light of such practice of the public sector customers.

The gross profit margin for repair and maintenance works increased from approximately 34.1% for the four months ended 30 April 2018 to approximately 72.4% for the four months ended 30 April 2019. Such increase was mainly because the costs incurred in the repair and maintenance projects undertaken by us during the four months ended 30 April 2019 were minimal.

Gross profit and gross profit margin breakdown by sector

The following table sets forth our gross profit and gross profit margin by sector during the Track Record Period:

	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
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000* (*unaudited*)	*%*	*MOP'000*	*%*
Public sector	29,793	30.3	28,724	18.0	8,701	11.3	3,526	18.7	3,097	12.8
Private sector	23,466	30.5	49,860	30.6	70,915	22.0	23,280	27.1	30,677	22.8
Total/overall	53,259	30.4	78,584	24.4	79,616	19.9	26,806	25.6	33,774	21.3

(i) Public sector

The gross profit margin for public sector projects decreased from approximately 30.3% for the year ended 31 December 2016 to approximately 18.0% for the year ended 31 December 2017. The higher gross profit margin for the year ended 31 December 2016 was mainly attributed to (i) the three public sector fitting-out projects under joint-tender arrangement elaborated in the foregoing; and (ii) a project of which the subcontracting fee was relatively low compared with the subcontracting fees incurred in other projects as that subcontractor offered a competitive quotation in order to successfully tender for the project.

The gross profit margin for public sector projects decreased from approximately 18.0% for the year ended 31 December 2017 to approximately 11.3% for the year ended 31 December 2018. The lower gross profit margin for the year ended 31 December 2018 was mainly attributed to the following: (i) a public sector project undertaken during the two years ended 31 December 2018. The gross profit margin of this project was lower for the year ended 31 December 2018 as compared to the year ended 31 December 2017 because additional cost was incurred for wall painting works during the year ended 31 December 2018; and (ii) one of the three public sector fitting-out projects under joint-tender arrangement elaborated in the foregoing completed in 2017. A significant amount of revenue and gross profit was recognised in the year ended 31 December 2017 while no revenue and gross profit were recognised in the year ended 31 December 2018.

The gross profit margin for public sector projects decreased from approximately 18.7% for the four months ended 30 April 2018 to approximately 12.8% for the four months ended 30 April 2019. The lower gross profit margin for the four months ended 30 April 2019 was mainly attributed to (i) a fitting-out project where the project was completed in April 2018 and substantial costs were incurred for its maintenance works during the four months ended 30

April 2019 which fell within its defect liability period; (ii) a fitting-out project where the customer demanded us to change some furniture and fire system parts; and (iii) a fitting-out project where we were demanded to rectify works performed.

(ii) Private sector

The gross profit margin for private sector projects remained steady at approximately 30.5% and 30.6% for the years ended 31 December 2016 and 2017, respectively.

The gross profit margin for private sector projects decreased from approximately 30.6% for the year ended 31 December 2017 to approximately 22.0% for the year ended 31 December 2018. The higher gross profit margin for the year ended 31 December 2017 was mainly attributed to two fitting-out projects with design works undertaken in the year ended 31 December 2017, of which no revenue was recognised during the year ended 31 December 2018. According to our Directors' understanding, we can generally charge a higher gross profit margin for the projects with engineering design works.

The gross profit margin for private sector projects decreased from approximately 27.1% for the four months ended 30 April 2018 to approximately 22.8% for the four months ended 30 April 2019. The higher gross profit margin for the four months ended 30 April 2018 was mainly attributed to a fitting-out project undertaken during the four months ended 30 April 2018 and 2019 as elaborated in the foregoing.

Gross profit and gross profit margin breakdown by role we undertook

The following table sets forth our gross profit and gross profit margin by the role we undertook during the Track Record Period:

	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
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000* *(unaudited)*	*%*	*MOP'000*	*%*
Main contractor	22,079	21.8	29,635	18.0	8,226	10.8	2,779	15.2	2,572	9.9
Subcontractor	31,180	42.1	48,949	31.0	71,390	22.0	24,027	27.8	31,202	23.5
Total/overall	53,259	30.4	78,584	24.4	79,616	19.9	26,806	25.6	33,774	21.3

(i) Main contractor

The gross profit margin for the projects where we acted as a main contractor decreased from approximately 21.8% for the year ended 31 December 2016 to approximately 18.0% for the year ended 31 December 2017, and then decreased to approximately 10.8% for the year ended 31 December 2018. The gross profit margin for the projects where we acted as a main contractor decreased from approximately 15.2% for the four months ended 30 April 2018 to approximately 9.9% for the four months ended 30 April 2019. Such changes in gross profit margin during the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019 were in line with the changes in gross profit margin for public sector projects for the corresponding years/periods as elaborated in the foregoing, because the projects where our Group acted as a main contractor were mostly public sector projects.

(ii) Subcontractor

The gross profit margin for the projects where we acted as a subcontractor decreased from approximately 42.1% for the year ended 31 December 2016 to approximately 31.0% for the year ended 31 December 2017. The higher gross profit margin for the year ended 31 December 2016 was mainly attributed to the three public sector fitting-out projects under joint-tender arrangement as discussed in the foregoing.

The gross profit margin for the projects where we acted as a subcontractor decreased from approximately 31.0% for the year ended 31 December 2017 to approximately 22.0% for the year ended 31 December 2018. The higher gross profit margin for the year ended 31 December 2017 was mainly attributed to the following: (i) one of the three public sector fitting-out projects under joint-tender arrangement elaborated in the foregoing was completed in 2017. A significant amount of revenue and gross profit was recognised in the year ended 31 December 2017 while no revenue and gross profit were recognised in the year ended 31 December 2018 projects; and (ii) the fitting-out project with design works undertaken in the year ended 31 December 2017 of which no revenue was recognised during the year ended 31 December 2018 as discussed in the foregoing.

The gross profit margin for the projects where we acted as a subcontractor decreased from approximately 27.8% for the four months ended 30 April 2018 to approximately 23.5% for the four months ended 30 April 2019. Such changes in gross profit margin during the four months ended 30 April 2018 and 2019 were in line with the changes in gross profit margin for private sector projects for the corresponding periods as elaborated in the foregoing, because the projects where our Group acted as a subcontractor were mostly private sector projects.

Sensitivity analysis

The following table illustrates the impact of hypothetical fluctuations in our gross profit margin on our net profit during the Track Record Period, assuming all other variables remain constant.

Hypothetical fluctuations in our gross profit margin	**+/-5%**	**+/-10%**
	MOP'000	*MOP'000*
Decrease/increase in net profit		
For the year ended 31 December 2016	8,761	17,522
For the year ended 31 December 2017	16,136	32,272
For the year ended 31 December 2018	20,004	40,009
For the four months ended 30 April 2018	5,234	10,468
For the four months ended 30 April 2019	7,942	15,884

Other income

Other income was approximately MOP340,000, MOP342,000 and MOP2.9 million for the years ended 31 December 2016, 2017 and 2018, respectively. The other income for the two years ended 31 December 2017 mainly represented bank interest income while that for the year ended 31 December 2018 mainly represented the insurance compensation for the damages made by Typhoon Hato to one of our projects in the year ended 31 December 2017.

Other income was approximately MOP79,000 and MOP805,000 for the four months ended 30 April 2018 and 2019, respectively. The other income for the four months ended 30 April 2018 represented bank interest income while that for the four months ended 30 April 2019 mainly represented bank interest income and insurance compensation for the damages made by Typhoon Hato to another project in the year ended 31 December 2017.

Administrative and other operating expenses

Administrative and other operating expenses amounted to approximately MOP19.2 million, MOP16.2 million, MOP17.4 million, MOP5.7 million and MOP5.6 million for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, respectively. The following table sets forth a breakdown of our administrative and other operating expenses during the Track Record Period:

		Year ended 31 December						Four months ended 30 April			
		2016		2017		2018		2018		2019	
	Notes	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000* (*unaudited*)	*%*	*MOP'000*	*%*
Staff costs	*1*	13,105	68.1	11,846	73.1	13,892	79.9	4,187	74.0	4,163	74.0
Depreciation and amortization expenses	*2*	1,772	9.2	1,617	10.0	1,010	5.8	338	6.0	330	5.9
Bank charges	*3*	1,113	5.8	1,067	6.6	1,072	6.2	409	7.2	334	5.9
Legal and professional fees (including auditor's remuneration)	*4*	270	1.4	152	0.9	683	3.9	501	8.9	506	9.0
Others	*5*	2,988	15.5	1,521	9.4	736	4.2	222	3.9	290	5.2
Total		19,248	100.0	16,203	100.0	17,393	100.0	5,657	100.0	5,623	100.0

Notes:

1. Staff costs include salaries and other benefits provided to the directors, administrative staff, project managers and engineers.

2. Depreciation and amortization expenses include (i) depreciation charges provided for plant and equipment and right-of-use assets and (ii) amortisation charges provided for intangible assets, being the fair value of construction contracts on hand as at the date of the acquisition of subsidiaries.

3. Bank charges include the charges incurred for renewal of banking facilities and obtaining bank guarantees.

4. Legal and professional fees (including auditor's remuneration) include (i) fees paid to external auditor for performing audit of our Group and (ii) fees incurred for receiving professional advice from professional service firms.

5. Others include accounting and administrative service fees, tendering fees, rental expenses, printing and stationery expenses.

Administrative and other operating expenses decreased by approximately 15.8% from approximately MOP19.2 million for the year ended 31 December 2016 to approximately MOP16.2 million for the year ended 31 December 2017. Such decrease was mainly attributed to the decrease in staff salaries due to the restructuring of project teams.

Administrative and other operating expenses increased by approximately 7.3% from approximately MOP16.2 million for the year ended 31 December 2017 to approximately MOP17.4 million for the year ended 31 December 2018. Such increase was mainly attributed to the increase in the staff salaries as a result of the increase in headcount and salaries of the administrative staff.

Administrative and other operating expenses remained steady at approximately MOP5.7 million and MOP5.6 million for the four months ended 30 April 2018 and 2019, respectively.

Income tax

Income tax expense comprises current tax and deferred tax. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, our Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands. Macau Complementary tax has been provided on the estimated assessable profits arising in Macau at a rate of 12.0% during the Track Record Period.

Income tax expense increased by approximately 61.7% from approximately MOP4.2 million for the year ended 31 December 2016 to approximately, MOP6.7 million for the year ended 31 December 2017, and further increased by approximately 6.0% to approximately MOP7.1 million for the year ended 31 December 2018. Such increasing trend was in line with the increase in profit before tax. The effective income tax rate of our Group was approximately 14.1%, 11.9% and 12.8% for the years ended 31 December 2016, 2017 and 2018, respectively. The effective income tax rates for the years ended 31 December 2017 and 2018 approximated the statutory tax rate of Macau Complementary Tax of 12%. The effective income tax rate for the year ended 31 December 2016 was higher than the statutory tax rate of Macau Complementary Tax, mainly due to the tax effect of tax losses not recognised.

Income tax expense increased by approximately 34.7% from approximately MOP2.7 million for the four months ended 30 April 2018 to approximately MOP3.6 million for the four months ended 30 April 2019. Such increase was in line with the increase in profit before tax. The effective income tax rate of our Group was approximately 14.4% and 13.2% for the four months ended 30 April 2018 and 2019, respectively. The effective income tax rates for the four months ended 30 April 2018 and 2019 were higher than the statutory tax rate of Macau Complementary Tax, mainly due to the tax effect of tax losses not recognised and the tax effect of expenses not deductible for tax purpose.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and capital expenditure needs. Our Directors confirm that we have historically financed our working capital and capital expenditure needs primarily through cash flows generated from our operating activities and external financing.

Going forward, we believe our liquidity requirements will be satisfied using a combination of cash generated from operating activities and the net [**REDACTED**] from the [**REDACTED**] based on our current and anticipated levels of operations and conditions in the markets and industry. For details of our future plans, please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this document.

Our Directors confirm that we regularly monitor our liquidity requirements to ensure that we maintain sufficient cash resources for our working capital needs and capital expenditure needs. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not experience any difficulties in settling our obligations in the normal course of business which would have had a material impact to our business, financial condition or results of operations.

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

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
				(unaudited)	
Net cash generated from operating activities	29,509	15,230	16,472	28,246	14,013
Net cash (used in)/generated from investing activities	(134)	46,713	27,618	(4,366)	(17,570)
Net cash used in financing activities	(45,082)	(25,926)	(81,905)	(69,988)	(1,061)
Net (decrease)/increase in cash and cash equivalents	(15,707)	36,017	(37,815)	(46,108)	(4,618)
Cash and cash equivalents at the beginning of the year/period	33,228	17,521	53,538	53,538	15,723
Cash and cash equivalents at the end of the year/period	17,521	53,538	15,723	7,430	11,105

Cash flows from operating activities

Our cash inflow from operating activities is primarily generated from the provision of fitting-out and construction works. Our cash outflow for operating activities is primarily related to the payment of subcontracting fees, staff costs, material costs and administrative and other expenses. Our cash flow from operating activities is affected by a number of factors, which include the progress of our projects and the timing difference between the settlement of our project fees receivable from our customers and payments of subcontracting fees.

For the year ended 31 December 2018, we had net cash flow from operating activities of approximately MOP16.5 million. Our cash flow from operations primarily consisted of profit before taxation of approximately MOP55.5 million, adjusted by certain non-cash items, mainly (i) the finance costs of approximately MOP3.0 million; (ii) the change in working capital mainly contributed by an increase in trade and other receivables of approximately MOP37.4 million and a decrease in contract liabilities of approximately MOP13.3 million; and (iii) the payments of Macau Complementary Tax of approximately MOP11.5 million. Such change in working capital was partially offset by a decrease in contract assets of approximately MOP20.8 million.

For the year ended 31 December 2017, we had net cash flow from operating activities of approximately MOP15.2 million. Our cash flow from operations primarily consisted of profit before taxation of approximately MOP56.4 million, adjusted by certain non-cash items, mainly (i) the amortisation of intangible assets of approximately MOP1.4 million; (ii) the finance costs of approximately MOP5.0 million; (iii) the change in working capital mainly contributed by an increase in trade and other receivables of approximately MOP75.0 million; and (iv) the payments of Macau Complementary Tax of approximately MOP1.1 million. Such change in working capital was partially offset by (i) a decrease in contract liabilities of approximately MOP2.1 million; (ii) a decrease in contract assets of approximately MOP5.5 million; and (ii) an increase in trade and other payables of approximately MOP25.2 million.

For the year ended 31 December 2016, we had net cash flow from operating activities of approximately MOP29.5 million. Our cash flow from operations primarily consisted of profit before taxation of approximately MOP29.5 million, adjusted by certain non-cash items, mainly (i) the amortisation of intangible assets of approximately MOP1.6 million; (ii) the finance costs of approximately MOP2.6 million; (iii) the change in working capital mainly contributed by an increase in contract assets of approximately MOP31.8 million and a decrease in contract liabilities of approximately MOP13.4 million; and (iv) the payments of Macau Complementary Tax of approximately MOP2.3 million. Such change in working capital was partially offset by (i) a decrease in trade and other receivables of approximately MOP22.8 million; and (ii) an increase in trade and other payables of approximately MOP20.6 million.

For the four months ended 30 April 2019, we had net cash flow from operating activities of approximately MOP14.0 million. Our cash flow from operations primarily consisted of profit before taxation of approximately MOP27.3 million, adjusted by certain non-cash items, mainly (i) the finance costs of approximately MOP911,000; and (ii) the change in working capital mainly contributed by an increase in contract assets of approximately MOP46.0 million. Such change in working capital was partially offset by (i) an increase in trade and other payables of approximately MOP22.9 million; and (ii) an increase in contract liabilities of approximately MOP13.9 million.

For the four months ended 30 April 2018, we had net cash flow from operating activities of approximately MOP28.2 million. Our cash flow from operations primarily consisted of profit before taxation of approximately MOP18.6 million, adjusted by certain non-cash items, mainly (i) the finance costs of approximately MOP1.0 million; and (ii) the change in working capital mainly contributed by an increase in contract liabilities of approximately MOP25.2 million and a decrease in trade and other receivables of approximately MOP13.4 million. Such change in working capital was partially offset by (i) an increase in contract assets of approximately MOP15.1 million; and (ii) a decrease in trade and other payables of approximately MOP15.1 million.

Net cash (used in)/generated from investing activities

Our cash from investing activities principally comprises (i) net cash inflow from acquisition of subsidiaries; (ii) repayment from our Controlling Shareholders; (iii) advance from related companies; (iv) decrease in pledged bank deposits; and (v) interest received. Our cash used in investing activities principally comprises (i) advance to our Controlling Shareholders; (ii) repayment to related companies; and (iii) increase in pledged bank deposits.

For the year ended 31 December 2018, we had net cash from investing activities of approximately MOP27.6 million, which primarily included the repayment from our Controlling Shareholders of approximately MOP34.0 million, and was partially offset by (i) the repayment to related companies of approximately MOP4.0 million; and (ii) the increase in pledged bank deposits of approximately MOP2.8 million.

For the year ended 31 December 2017, we had net cash flow from investing activities of approximately MOP46.7 million, which primarily included (i) the net advance from related companies of approximately MOP38.6 million; and (ii) the decrease in pledged bank deposits of approximately MOP20.0 million, and was partially offset by the net advance to our Controlling Shareholders of approximately MOP12.2 million.

For the year ended 31 December 2016, we had net cash flow used in investing activities of approximately MOP134,000, which primarily included (i) the net advance to our Controlling Shareholders of approximately MOP19.0 million; and (ii) the increase in pledged bank deposits of approximately MOP17.9 million, and was partially offset by (i) the net cash inflow from the acquisition of subsidiaries of approximately MOP10.0 million taken place during the reporting period; and (ii) the net advance from related companies of approximately MOP26.5 million.

For the four months ended 30 April 2019, we had net cash used in investing activities of approximately MOP17.5 million, which primarily included an increase in pledged bank deposits of approximately MOP17.4 million.

For the four months ended 30 April 2018, we had net cash used in investing activities of approximately MOP4.4 million, which primarily included (i) a repayment to related companies of approximately MOP4.0 million; and (ii) an increase in pledged bank deposits of approximately MOP2.6 million, and was partially offset by a repayment from our Controlling Shareholder of approximately MOP2.1 million.

Net cash used in financing activities

Our cash from financing activities principally comprises (i) advance from non-controlling interest; (ii) advance from related companies; (iii) new bank borrowing raised; (iv) utilisation of bank overdrafts; and (v) proceeds from issuance of new shares. Our cash used in financing activities principally comprises (i) repayment to related companies; (ii) repayment of bank and other borrowings; (iii) interest paid; and (iv) dividend paid.

For the year ended 31 December 2018, we had net cash used in financing activities of approximately MOP81.9 million, which primarily included (i) the dividend paid of approximately MOP80.0 million; (ii) the decrease in utilisation of bank overdraft of approximately MOP14.1 million; (iii) the repayment of bank and other borrowings of approximately MOP3.7 million; and (iv) the interest paid of approximately MOP2.9 million, and was partially offset by (i) the proceeds from issuance of new shares of approximately MOP19.8 million.

For the year ended 31 December 2017, we had net cash used in financing activities of approximately MOP25.9 million, which primarily included (i) the repayment of bank and other borrowings of approximately MOP16.0 million; (ii) the decrease in utilisation of bank overdrafts of approximately MOP9.9 million; and (iii) the interest paid of approximately MOP5.0 million, and was partially offset by the new bank borrowings raised of approximately MOP5.0 million.

For the year ended 31 December 2016, we had net cash used in financing activities of approximately MOP45.1 million, which primarily included (i) the net repayment to related companies of approximately MOP47.1 million; (ii) the repayment of bank and other borrowings of approximately MOP11.4 million; and (iii) the interest paid of approximately MOP2.6 million, which was partially offset by the increased utilisation of bank overdrafts of approximately MOP16.0 million.

For the four months ended 30 April 2019, we had net cash used in financing activities of approximately MOP1.1 million, which primarily included (i) the interest paid of approximately MOP898,000.

For the four months ended 30 April 2018, we had net cash used in financing activities of approximately MOP70.0 million, which primarily included (i) the dividend paid of approximately MOP80.0 million; and (ii) a decrease in utilisation of bank overdraft of approximately MOP8.2 million, and was partially offset by the proceeds from issuance of new shares of approximately MOP19.8 million.

NET CURRENT ASSETS

The following table sets forth the breakdown of our current assets and liabilities as at 31 December 2016, 2017 and 2018, 30 April 2019 and 31 August 2019 being the latest practicable date for determining our Group's indebtedness:

	As at 31 December			As at 30 April	As at 31 August
	2016	**2017**	**2018**	**2019**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000* *(unaudited)*
Current assets					
Trade and other receivables	50,003	116,411	153,795	159,031	180,652
Amounts due from controlling shareholders	100,568	32,326	2,304	2,304	2,304
Amounts due from ultimate holding company *(Note 1)*	–	3	–	–	–
Contract assets	49,028	43,586	22,752	68,767	43,107
Pledged bank deposits	51,150	31,173	34,032	51,390	44,117
Bank balances and cash	17,521	53,538	15,723	11,105	19,554
Total current assets	268,270	277,037	228,606	292,597	289,734
Current liabilities					
Trade and other payables	54,772	79,540	78,383	101,301	95,237
Contract liabilities	18,669	16,584	3,296	17,219	7,164
Lease liabilities *(Note 2)*	–	–	911	678	359
Tax payable	6,123	11,795	7,407	10,990	13,435
Bank overdrafts	34,402	24,478	10,343	10,460	10,383
Bank and other borrowings	56,634	45,674	42,000	42,000	35,000
Total current liabilities	170,600	178,071	142,340	182,648	161,578
Net current assets	97,670	98,966	86,266	109,949	128,156

Notes:

1. The amounts due from ultimate holding company were less than MOP1,000 as at 31 December 2018, 30 April 2019 and 31 August 2019.

2. Upon the application of HKFRS16, we recognise the right-of-use assets and the corresponding lease liabilities in respect of all leases, except for short-term leases and leases of low-valued assets. Lease liabilities of approximately MOP359,000 are secured by lessor's charges over leased assets with aggregate carrying value of approximately MOP342,000 as at 31 August 2019.

Our current assets included trade and other receivables, amounts due from controlling shareholders, contract assets, pledged bank deposits and bank balances and cash. Our current liabilities included trade and other payables, lease liabilities, contract liabilities, tax payable, bank overdrafts and bank and other borrowings. Our net current assets remained positive during the Track Record Period.

Our net current assets increased by approximately MOP18.3 million from approximately MOP109.9 million as at 30 April 2019 to approximately MOP128.2 million as at 31 August 2019. The increase was mainly due to (i) the increase in trade and other receivables of approximately MOP21.6 million; (ii) the increase in bank balances and cash of approximately MOP8.4 million; (iii) the decrease in bank and other borrowings of approximately MOP7.0 million; and (iv) the decrease in trade and other payables of approximately MOP6.1 million, and partially offset by (i) the decrease in contract assets of approximately MOP25.7 million; and (ii) the decrease in pledged bank deposits of approximately MOP7.3 million.

Our net current assets increased by approximately MOP23.7 million from approximately MOP86.2 million as at 31 December 2018 to approximately MOP109.9 million as at 30 April 2019. The increase was mainly due to (i) the increase in contract assets of approximately MOP46.0 million; and (ii) the increase in pledged bank deposits of approximately MOP17.4 million, and partially offset by (i) the increase in trade and other payables of approximately MOP22.9 million; and (ii) the increase in contract liabilities of approximately MOP13.9 million.

Our net current assets decreased by approximately MOP12.8 million from approximately MOP99.0 million as at 31 December 2017 to approximately MOP86.2 million as at 31 December 2018. The decrease was mainly due to (i) the decrease in bank balances and cash of approximately MOP37.8 million; (ii) the decrease in amounts due from controlling shareholders of approximately MOP30.1 million; and (iii) the decrease in contract assets of approximately MOP20.8 million, and partially offset by (i) the increase in trade and other receivables of approximately MOP37.4 million; (ii) the decrease in bank overdrafts of approximately MOP14.2 million; and (iii) the decrease in contract liabilities of approximately MOP13.3 million.

Our net current assets increased by approximately MOP1.3 million from approximately MOP97.7 million as at 31 December 2016 to approximately MOP99.0 million as at 31 December 2017. The increase was mainly due to (i) the increase in trade and other receivables of approximately MOP66.4 million; (ii) the increase in bank balances and cash of approximately MOP36.0 million; and (iii) the decrease in bank overdrafts and bank and other borrowings of approximately MOP20.8 million; and partially offset by (i) the decrease in pledged bank deposits of approximately MOP20.0 million; (ii) the decrease in amounts due from controlling shareholders of approximately MOP68.2 million; and (iii) the decrease in contract liabilities of approximately MOP2.1 million.

INDEBTEDNESS AND CONTINGENT LIABILITIES

At the closure of business on 31 August 2019, being the latest practicable date on which such information was available to us, our Group had outstanding bank loans and unutilised bank facilities of approximately MOP35.0 million and MOP121.0 million respectively, which were secured by pledged bank deposits and promissory notes guaranteed by our Controlling Shareholders.

Our Directors confirm that the aforementioned secured assets and guarantees will be released upon [**REDACTED**].

The claims as well pending or threatened claims known to our Directors that were against our Group during the Track Record Period and up to the Latest Practicable Date were generally related to the work accidents arising out of ordinary course of our business. Our Directors are of the opinion that the claims are not expected to have a material impact on our business, financial condition and results of operation. Accordingly, no provision has been made in the financial statements for the Track Record Period.

We did not have, at the closure of business on 31 August 2019, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities, save as disclosed in this document. Our Directors confirm that (i) there had not been any material change in our indebtedness and contingent liabilities since 31 August 2019 and up to the Latest Practicable Date; (ii) the bank borrowings and bank facilities are subject to the standard banking conditions and covenants; (iii) our Group had complied with all of the covenants under our bank loans during the Track Record Period; (iv) our Group had not received any notice from any bank indicating that it might withdraw or downsize the bank loans and bank facilities; and (v) our Group did not have any material external debt financing plans as at the Latest Practicable Date.

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Right-of-use assets

Our Group recognises the right-of-use assets with respect to the property lease. They are depreciated over their estimated useful lives, using straight-line method, over the lease term per annum. As at 31 December 2016, 2017 and 2018, and 30 April 2019, the right-of-use assets amounted to nil, nil, approximately MOP963,000 and approximately MOP653,000, respectively.

Intangible assets

The intangible assets refer to the fair value of construction contracts on hand as at the date of the acquisition of subsidiaries. The amortisation period was two years based on the expected completion date of these construction contracts.

Contract assets/liabilities

The Group has rights to consideration from customers for the provision of fitting-out and construction works. Contract assets arise when the Group has right to consideration for completion of fitting-out and construction works and not billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right become unconditional other than the passage of time. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment exceeds the revenue recognised to date, then the Group recognises a contract liabilities for the difference.

The following tables sets forth the breakdown of contract assets/ liabilities by type of works during the Track Record Period.

	As at 1 January	As at 31 December			As at 30 April
	2016	**2016**	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Contract assets					
Provision of fitting-out works	9,687	40,734	43,341	21,704	68,383
Provision of construction works	269	8,294	245	1,048	384
	9,956	49,028	43,586	22,752	68,767
Contract liabilities					
Provision of fitting-out works	31,174	12,143	16,014	2,726	17,088
Provision of construction works	–	6,526	570	570	131
	31,174	18,669	16,584	3,296	17,219

And the following table sets forth the breakdown of contract assets and contract liabilities by revenue recognition methods as at 31 December 2016, 2017 and 2018, and 30 April 2019:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Output method				
Unbilled revenue	18,691	18,410	12,436	61,923
Cost related to unsatisfied performance obligation	14,515	1,043	10,316	6,844
	33,206	19,453	22,752	68,767
Input method				
Revenue pending for billing from prior years	1,297	239	–	–
Revenue pending for billing for the current year	14,525	23,894	–	–
	15,822	24,133	–	–
Total contract assets	49,028	43,586	22,752	68,767
Total contract liabilities	18,669	16,584	3,296	17,219

Contract assets under output method comprised (i) unbilled revenue and (ii) cost related to unsatisfied performance obligation.

Unbilled revenue arises when the fitting-out or construction works are performed during a financial year or period but are only certified by the customer after such financial year or period end. Although the certification is to be issued by the customer and the fitting-out or construction works performed are to be billed by our Group after the financial year/period end, our Group shall recognise a contract asset in respect of the fitting-out or construction works performed in the financial year/period as the Group has the rights to the consideration in relation to the completion of such fitting-out and construction works under the relevant contracts.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Hong Kong Accounting Standard, our Group recognises an asset from the costs incurred in fulfilling a fitting-out/construction contract with customer only if those costs meet all of the following criteria under HKFRS 15: (i) the costs relate directly to a contract or to an anticipated contract that our Group can specifically identify, for instance, direct labour costs and direct material costs; (ii) the costs generate or enhance resources of our Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contract (i.e., costs that relate to past performance) shall be expensed when incurred.

Contract assets under input method comprised (i) revenue pending for billing from prior years and (ii) revenue pending for billing for the current year. Such revenue shall be recognised based on our Group's efforts or inputs to the satisfaction of the performance obligation by reference to the contract costs incurred up to the financial year end as a percentage of total estimated costs for each contract. Our Directors confirm that, the only circumstance that led to the adoption of input method for a particular project is the lack of progress certificates confirmed by customers.

As at 31 December 2016, 2017 and 2018, and 30 April 2019, the unbilled revenue amounted to approximately MOP18.7 million, MOP18.4 million, MOP12.4 million and MOP61.9 million, respectively. The significant increase in unbilled revenue as at 30 April 2019 was mainly attributed to three significant projects which commenced in March 2019 but yet to receive progress certificate for work done by the end of the period, with a contribution of approximately MOP47.5 million.

Subsequent to the Track Record Period and up to the Latest Practicable Date, under output method, all unbilled revenues of MOP61.9 million in contract assets as at 30 April 2019 were subsequently certified by our customers, and approximately MOP2.7 million, representing approximately 40.0% of the cost related to unsatisfied performance obligation in contract assets as at 30 April 2019 was transferred to cost of services.

No revenue and contract assets had been reversed subsequent to the customer certification, or were in dispute with the relevant customers during the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively. Also, there were no impairment losses recognised on any contract assets during the Track Record Period.

As at 31 December 2016, 2017 and 2018 and 30 April 2019, contract liabilities which represented the receipt in advance from customers amounted to approximately MOP18.7 million, MOP16.6 million, MOP3.3 million and MOP17.2 million, respectively. The significant increase as at 30 April 2019 was mainly due to substantial receipt in advance from our customers for two significant projects.

Trade and other receivables

The following table sets forth a breakdown of trade and other receivables as at the dates indicated:

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Trade receivables	21,561	69,532	77,170	72,564
Retention receivables	11,886	22,208	50,544	52,576
Deferred [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Other receivables, prepayments and deposits	15,815	23,508	23,049	30,665
Total trade and other receivables	50,003	116,411	153,795	159,031

(i) Trade receivables

Our trade receivables primarily consist of amount receivable from customers for our fitting-out, construction and repair and maintenance projects.

The trade receivables increased from approximately MOP21.6 million as at 31 December 2016 to approximately MOP69.5 million as at 31 December 2017 which was mainly driven by the increased revenue and also attributed to the fact that the final payments for certain projects completed in the second half of 2017 were invoiced in September 2017 and remained outstanding as at the financial year end as the relevant customers needed more time to confirm the final accounts and a credit period which is up to 90 days was granted to them.

The trade receivables increased from approximately MOP69.5 million as at 31 December 2017 to approximately MOP77.2 million as at 31 December 2018 which was mainly driven by the increased revenue.

The trade receivables remained steady at approximately MOP77.2 million and MOP72.5 million as at 31 December 2018 and 30 April 2019, respectively.

The following table sets forth the ageing analysis of our net trade receivables presented based on invoice date, as at the dates indicated:

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
0-30 days	19,439	43,768	46,229	40,251
31-60 days	1,064	11,106	16,600	22,900
61-90 days	119	1,034	8,372	2,091
Over 90 days	939	13,624	5,969	7,322
	21,561	69,532	77,170	72,564

We generally grants our customers a credit period which is up to 90 days from the date of invoice. On a case-by-case basis, customers with good credit quality and repayment history may be granted a longer credit period. In respect of trade receivables that were aged over 90 days as at 31 December 2017, it was mainly due to the outstanding final payments for certain projects completed in the second half of 2017 as mentioned above.

If there is objective evidence that indicates the balance has become doubtful debt, impairment provision will be made in relation to the amount outstanding. We did not have any bad debt or provision made for our trade and other receivables during the Track Record Period.

The table below sets forth our trade receivable turnover days as at the dates indicated:

	Year ended 31 December			Four months ended 30 April
	2016	**2017**	**2018**	**2019**
Trade receivable turnover days *(Note 1)*	82.4	51.5	66.9	56.6
Trade receivable turnover days (comprising contract assets) *(Note 2)*	143.9	103.9	97.2	91.1

Notes:

(1) Calculated as the average trade receivables divided by revenue and multiplied by 365/120 for the year/period

(2) Calculated as the average trade receivables and contract assets divided by revenue and multiplied by 365/120 for the year/period

Our trade receivable turnover days were approximately 82.4 days, 51.5 days, 66.9 days and 56.6 days for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively, which were all within the range of credit period granted by us to our customers, which is up to 90 days.

Our trade receivable turnover days (comprising contract assets) were approximately 143.9 days, 103.9 days, 97.2 days and 91.1 days for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively. The decrease in trade receivable turnover days (comprising contract assets) between the years ended 31 December 2016 and 2017 was mainly attributed to the significant increase in revenue by approximately 84.2% from approximately MOP175.2 million for the year ended 31 December 2016 to approximately MOP322.7 million for the year ended 31 December 2017, while the contract assets decreased slightly by approximately 11.1% from approximately MOP49.0 million as at 31 December 2016 to approximately MOP43.6 million as at 31 December 2017. Such decrease in contract assets was mainly attributed to the issuance of billing of a private sector fitting-out project and a public sector fitting-out project (i.e., project 2 and project 7) in the year ended 31 December 2017 which was subsequently settled by the customers in the same year, and was partially offset by the recognition of contract assets for a private sector fitting-out project (i.e., project 13) for the works performed in December 2017 (which was subsequently billed in January 2018).

As at the Latest Practicable Date, approximately MOP64.8 million or approximately 97.1% of our trade receivables as at 30 April 2019 had been settled.

(ii) Retention receivables

Retention receivables represent the monies required by our customers to secure our due performance during the defects liability period. Retention monies for our projects usually amount to 5% to 10% of the total contract sum. Generally, the retention money will be released upon the issuance of certificate of completion of making good defects after the expiry of the defect liability period of approximately 12 to 60 months.

The retention receivables amounted to approximately MOP11.9 million, MOP22.2 million, MOP50.5 million and MOP52.6 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. The upward trend was in line with the increase in our revenue during the Track Record Period.

(iii) Deferred* [REDACTED] *expenses

Deferred [**REDACTED**] expenses represent [**REDACTED**] expenses prepaid which amounted to approximately MOP[**REDACTED**], MOP[**REDACTED**], MOP[**REDACTED**] and MOP[**REDACTED**] as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

(iv) Other receivables, prepayments and deposits

The following table sets forth a breakdown of our other receivables, prepayments and deposits as at the dates indicated:

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Other receivables	10,871	10,153	8,703	959
Prepayments	4,227	12,812	13,877	28,811
Deposits	717	543	469	895
	15,815	23,508	23,049	30,665

Other receivables mainly represent (i) the receivables from our subcontractors as we purchased raw materials and paid wages to direct labour on behalf of the subcontractors engaged by us to carry out fitting-out or construction works; (ii) advances to certain related parties which were reclassified as other receivables after they ceased to be our related parties during the Track Record Period, such amount had been fully settled; and (iii) advances to a subcontractor for its purchases of raw material, while such advance would be subsequently offset against the subcontracting fees paid to the subcontractor. The other receivables amounted to approximately MOP10.9 million, MOP10.2 million, MOP8.7 million and MOP959,000 as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. The lower other receivables as at 30 April 2019 were mainly attributed to the settlement of other receivables by our subcontractors.

Prepayments mainly represent prepayment to our subcontractors upon entering into the subcontracting agreements with them as working capital for the relevant projects. The prepayments amounted to approximately MOP4.2 million, MOP12.8 million, MOP13.9 million and MOP28.8 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. The higher prepayments as at 30 April 2019 were mainly attributed to the commencement of a number of our projects during the four months ended 30 April 2019, from which the revenue generated accounted for approximately 84.3% of the total revenue for the corresponding period.

Deposits mainly represent deposit money of a certain percentage of contract value placed at our customers and property management companies as required under the relevant contracts. The deposits amounted to approximately MOP717,000, MOP543,000, MOP469,000 and MOP895,000 as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

Amounts due from related parties

As at 31 December 2016, 2017 and 2018 and 30 April 2019, our Group had the following amounts due from related parties:

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Amounts due from Controlling Shareholders				
Mr. Lou	58,074	22,234	2,304	2,304
Mr. Ao	2,965	904	–	–
Mr. Chang	19,148	7,898	–	–
Mr. Leong	20,381	1,290	–	–
	100,568	32,326	2,304	2,304
Amount due from ultimate holding company *(Note)*	–	3	–	–

Note: The amounts due from ultimate holding company were less than MOP1,000 as at 31 December 2018 and 30 April 2019.

Our Directors confirm that the amounts due from Controlling Shareholders will be settled prior to [**REDACTED**]. All the amounts due are unsecured, interest free and repayable on demand and are not of trading nature.

Trade and other payables

The following table sets forth a breakdown of trade and other payables as at the dates indicated:

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Trade payables	31,781	22,022	25,943	3,599
Retention payables	6,411	14,191	25,765	31,861
Accrued contract costs	14,547	34,952	22,381	62,425
Accruals and other payables	2,033	8,375	4,294	3,416
Total trade and other payables	54,772	79,540	78,383	101,301

(i) Trade payables

Our trade payables mainly represent payables to subcontractors. The higher trade payables as at 31 December 2016 were mainly due to the commencement of some projects near the year end of 2016 resulting in substantial amount of works performed by and billings from our subcontractors in December 2016.

The following table sets forth the ageing analysis of our trade payables presented based on invoice date, as at the dates indicated:

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
0-30 days	26,666	10,414	3,371	615
31-60 days	947	1,285	17,933	1,748
61-90 days	131	1,143	1,423	1
Over 90 days	4,037	9,180	3,216	1,235
	31,781	22,022	25,943	3,599

Our subcontractors generally grant us a credit period of up to 35 days. The substantial trade payables aged over 90 days as at 31 December 2017 were mainly due to our commercial negotiation with some subcontractors.

The table below sets forth our trade payables turnover days as at the dates indicated:

	Year ended 31 December			Four months ended 30 April
	2016	2017	2018	2019
Trade payable turnover days *(Note)*	56.4	40.2	27.3	14.2

Note: Calculated as the average trade payables divided by total cost of services and multiplied by 365/120 for the year/period.

Our trade payable turnover days were approximately 56.4 days, 40.2 days, 27.3 days and 14.2 days for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively. Trade payable turnover days for the year ended 31 December 2018 and the four months ended 30 April 2019 were within the range of credit period granted by our subcontractors, which is usually up to 35 days. The trade payable turnover days for the years ended 31 December 2016 and 2017 exceeded the credit period, mainly because of the higher trade payable as at 31 December 2016 as discussed above.

As at the Latest Practicable Date, approximately MOP2.6 million or approximately 72.3% of our trade payables as at 30 April 2019 had been settled.

(ii) Retention payables

Retention payables represent the monies withheld by us from our subcontractors to secure their due performance during the defect liability period. Such retention monies withheld usually amount to 5% to 10% of the total subcontracting fee. Such amount will be released subsequent to the recovery of our retention receivables after the defect liability period, which ranges from 12 to 60 months.

The retention payables amounted to approximately MOP6.4 million, MOP14.2 million, MOP25.8 million and MOP31.9 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. The upward trend was in line with the increase in our subcontracting fee during the Track Record Period.

(iii) Accrued contract cost

Accrued contract cost mainly represented the costs incurred for work done performed by subcontractors but invoices/progress payment applications are yet to be received by us at the year end date.

Our accrued contract costs increased from approximately MOP14.6 million as at 31 December 2016 to approximately MOP34.9 million as at 31 December 2017, then decreased to approximately MOP22.4 million as at 31 December 2018 and increased back to MOP62.4 million as at 30 April 2019. Such fluctuation was mainly due to the timing difference of billing by the subcontractors.

(iv) Accruals and other payables

The following table sets forth a breakdown of our accruals and other payables as at the dates indicated:

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Accruals	1,982	3,495	2,214	1,543
Other payables	51	4,880	2,080	1,873
	2,033	8,375	4,294	3,416

Our accruals mainly represent accrued staff costs, [**REDACTED**] expenses and interest expenses for revolving loan. The accruals amounted to approximately MOP2.0 million, MOP3.5 million, MOP2.2 million and MOP1.5 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. The significant increase as at 31 December 2017 was mainly attributed to accrual of [**REDACTED**] expenses.

Other payables mainly represent payable to a main contractor which paid wages to the workers on our behalf. The other payables amounted to approximately MOP51,000, MOP4.9 million, MOP2.1 million and MOP1.9 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. Such fluctuation was due to the specific staffing arrangement with the main contractor in certain projects.

Lease liabilities

Our lease liabilities are attributed to the lease of two properties by our Group for office use which are measured at the present value of the lease payments that are not yet paid as set forth in the below table:

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Minimum lease payments due:–				
Within one year	–	–	937	690
More than one year, but not exceeding two years	–	–	34	–
	–	–	971	690
Less: future finance charges	–	–	(26)	(12)
Present value of lease liabilities	–	–	945	678

The total cash outflow for leases including payments of lease liabilities and payment of interest expenses for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 was nil, nil, approximately MOP1.0 million and approximately MOP280,000, respectively.

Tax payable

Our tax payable amounted to approximately MOP6.1 million, MOP11.8 million, MOP7.4 million and MOP11.0 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

The higher tax payable as at 31 December 2017 was resultant from the late filing of tax return for the year of 2015 and 2016, details of which are set out in the section headed "Business – Non-compliance" in this document. Tax provisions were made in the years ended 31 December 2015 and 2016 and fully settled during the year ended 31 December 2018.

Bank and other borrowings and bank overdrafts

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Bank borrowings	55,620	44,902	42,000	42,000
Other borrowings	1,014	772	–	–
Total bank and other borrowings	56,634	45,674	42,000	42,000
Bank overdrafts	34,402	24,478	10,343	10,460
	91,036	70,152	52,343	52,460

The bank borrowings carry (i) interest at Prime Rate per annum; (ii) interest at Prime rate less 0.75% per annum; (iii) interest at three months HIBOR plus 3.7% per annum; and (iv) interest at Prime rate plus 1% per annum. The effective interest rates on the borrowings as at 31 December 2016, 2017 and 2018 and 30 April 2019 range from 4.5% to 5.25%, 4.5% to 6.25%, 5.375% to 6.375% and 5.375% to 6.375% per annum, respectively. These bank borrowings are under banking facilities for drawing loans and issuing performance bonds. The banking facilities are secured by pledged bank deposits and promissory notes endorsed by two of our Group's subsidiaries which were guaranteed by the Controlling Shareholders. Our Directors confirm that the aforesaid guarantees will be released upon [**REDACTED**].

Other borrowings represent three interest-free loans from Macau government in March 2011, January 2015 and May 2016, respectively.

WORKING CAPITAL SUFFICIENCY

Our Directors confirm that, taking into consideration the financial resources presently available to us, including the estimated net [**REDACTED**] from the [**REDACTED**] and other internal resources, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this document.

Our Directors are not aware of any other factors that would have a material impact on our liquidity. For details of the funds necessary to meet our existing operations and to fund our future plans, please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this document.

CAPITAL EXPENDITURES

We did not have significant capital expenditures during the Track Record Period.

CONTRACTUAL COMMITMENTS

Capital commitment

As at 31 December 2016, 2017 and 2018 and 30 April 2019, our Group had no material capital commitment.

KEY FINANCIAL RATIOS

	At/for the year ended 31 December			At/for the four months ended 30 April
	2016	2017	2018	2019
Current and quick ratio *(Note 1)*	1.6 times	1.6 times	1.6 times	1.6 times
Gearing ratio *(Note 2)*	91.6%	70.8%	61.0%	47.8%
Net debt to equity ratio *(Note 3)*	73.9%	16.8%	43.0%	37.8%
Interest coverage *(Note 4)*	12.4 times	12.2 times	19.8 times	31.0 times
Return on assets *(Note 5)*	9.4%	17.9%	21.1%	8.1%
Return on equity *(Note 6)*	25.5%	50.1%	55.5%	21.4%

Notes:

1. Current ratio is calculated as current assets divided by current liabilities as at the respective year/period end. Quick ratio is calculated as currents assets excluding inventories divided by current liabilities as at the respective year/period end. As we did not have any inventory on the consolidated statements of financial position, the quick ratio was the same as the current ratio.

2. Gearing ratio is calculated as total debt divided by total equity as at the respective year/period end.

3. Net debt to equity ratio is calculated as net debt (total debt net of cash and cash equivalents) divided by total equity as at the respective year/period end.

4. Interest coverage is calculated as profit before interest and tax divided by the interest expenses for the respective year/period.

5. Return on assets is calculated as net profit for the year divided by total assets at the end of the respective year/period.

6. Return on equity is calculated as net profit for the year/period divided by total equity at the end of the respective year/period.

Current and quick ratio

As we did not have any inventory on the consolidated statements of financial position, the current ratio was the same as the quick ratio.

Our current ratio and quick ratio remained stable at approximately 1.6 times as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

Gearing ratio

Our gearing ratio decreased from approximately 91.6% as at 31 December 2016 to approximately 70.8% as at 31 December 2017 due to the decrease in bank and other borrowings and bank overdraft as at 31 December 2017 compared with those as at 31 December 2016. Our gearing ratio, further decreased to approximately 61.0% as at 31 December 2018 mainly due to the decrease in bank overdrafts as at 31 December 2018 compared with those as at 31 December 2017.

Our gearing ratio decreased from approximately 61.0% as at 31 December 2018 to approximately 47.8% as at 30 April 2019, mainly due to the increase in equity as at 30 April 2019 compared with that as at 31 December 2018 as a result of the increase in retained earnings.

Net debt to equity ratio

Our net debt to equity ratio decreased from approximately 73.9% as at 31 December 2016 to approximately 16.8% as at 31 December 2017, mainly due to the increase in cash and cash equivalents as at 31 December 2017 compared with those as at 31 December 2016. Our net debt to equity ratio increased back to approximately 43.0% as at 31 December 2018 mainly due to the decrease in bank balances and cash.

Our net debt to equity ratio remained steady at approximately 37.8% and 43.0% as at 30 April 2019 and 31 December 2018, respectively.

Interest coverage

Our interest coverage remained stable at approximately 12.4 times and 12.2 times for the years ended 31 December 2016 and 2017 respectively. Our interest coverage increased to approximately 19.8 times for the year ended 31 December 2018 mainly because the interest expenses decreased (as a result of the decrease in total debt) by a larger extent compared with the decrease in net profit before interest and tax.

Our interest coverage increased from approximately 19.2 times for the four months ended 30 April 2018 to approximately 31.0 times for the four months ended 30 April 2019. Such increase was mainly attributed to the increase in net profits before interest and tax by approximately 44.0% from approximately MOP19.6 million for the four months ended 30 April 2018 to approximately MOP28.3 million for the four months ended 30 April 2019.

Return on assets

Our return on assets increased from approximately 9.4% for the year ended 31 December 2017 to approximately 17.9% for the year ended 31 December 2018. Such increase was in line with the increase in net profit for the year ended 31 December 2017.

Our return on assets increased from approximately 17.9% for the year ended 31 December 2017 to approximately 21.1% for the year ended 31 December 2018. Such increase was mainly attributed to the decrease in total assets as at 31 December 2018 as a result of the decreases in bank balances and cash, amounts due from controlling shareholders and contract assets.

Our return on total assets increased from approximately 6.7% for the four months ended 30 April 2018 to approximately 8.1% for the four months ended 30 April 2019. Such increase was mainly attributed to the increase in net profit by approximately 49.1% from approximately MOP15.9 million for the four months ended 30 April 2018 to approximately MOP23.7 million for the four months ended 30 April 2019.

Return on equity

Our return on equity increased from approximately 25.5% for the year ended 31 December 2016 to approximately 50.1% for the year ended 31 December 2017. Such increase was in line with the increase in net profit for the year ended 31 December 2017.

Our return on equity increased from approximately 50.1% for the year ended 31 December 2017 to approximately 55.5% for the year ended 31 December 2018. Such increase was mainly attributed to the decrease in the total equity as at 31 December 2018 as a result of the dividend distribution by AD&C, Huarchi Global and Q.F. Stone in the year ended 31 December 2018.

Our return on equity decreased from approximately 29.1% for the four months ended 30 April 2018 to approximately 21.4% for the four months ended 30 April 2019. Such decrease was mainly attributed to the increase in equity from approximately MOP54.8 million as at 30 April 2018 to approximately MOP111.0 million as at 30 April 2019, mainly contributed by the increase in retained earnings.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contractual commitments set forth above, our Group has not entered into any off-balance sheet transactions or arrangements as at Latest Practicable Date.

CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

Our Group's main objectives with respect to capital management are to maintain a solid and stable financing structure to support its on-going business growth in order to maximise shareholders' return.

Our Group regularly reviews and manages our capital structure and makes adjustments to it in light of changes in economic conditions and the mix of our assets. To maintain or adjust our capital structure, our Group may adjust the dividend payment to shareholders, return capital to the shareholders, or issue new shares. Our Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

Financial risks management

Our Group is exposed to credit risk, liquidity risk and interest rate risk in the normal course of business. See "Notes to the Historical Financial Information – 7. Financial instruments – Financial risk management" in Appendix I to this document for further details.

DIVIDEND

Under the Companies Law and our Articles, dividends may be paid out of the profits of our Company, or subject to solvency of our Company, out of sums standing to the credit of the share premium account. However, no dividend shall exceed the amount recommended by our Directors.

During the year ended 31 December 2017, AD&C and Q.F. Stone declared and settled dividends of MOP50.0 million to their then shareholders. During the year ended 31 December 2018, AD&C, Huarchi Global and Q.F. Stone declared and settled dividends of MOP80.0 million to their then shareholders.

We currently do not have a formal dividend policy or a fixed dividend distribution ratio. The declaration, payment and the amount of dividends are dependent on the results of operations, cash flows, financial condition, future prospects and other factors that our Directors may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. There can be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

DISTRIBUTABLE RESERVES

As at 30 April 2019, our Company had no distributable reserves available for distribution to our Shareholders.

[REDACTED] EXPENSES

Based on the [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the [**REDACTED**] range between HK$[**REDACTED**] and HK$[**REDACTED**] per Share, our Group expects that the total amount of expenses in relation to the [**REDACTED**] is approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]). Of such amount, approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]) is expected to be accounted for as a deduction from our equity upon [**REDACTED**]. The remaining amount of approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]) is expected to be charged to our profit and loss accounts, of which approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]), HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]), HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]) and HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]) were charged for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively, and approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]) is expected to be charged during the remaining year ending 31 December 2019. The actual amount may differ from this estimate.

RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions with its related parties during the Track Record Period, details of which are set out in Note 21 to the Accountants' Report in Appendix I to this document. Our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to independent third parties and were fair and reasonable and in the interest of our Shareholders as a whole.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that save as disclosed in "[**REDACTED**] expenses" in this section, up to the date of this document, there had been no material adverse change in our financial or trading position since 30 April 2019, being the date to which the latest audited financial statements of our Group were made up.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See "Unaudited Pro Forma Financial Information" in Appendix II to this document for further details.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

For the details of our business strategies, please see "Business – Business Strategies" in this document.

USE OF [REDACTED]

The net [**REDACTED**] from the [**REDACTED**] after deducting [**REDACTED**] fees and other estimated expenses in connection with the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the midpoint of the indicative [**REDACTED**] range of HK$[**REDACTED**] per Share to HK$[**REDACTED**] per Share), will be HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]). Our Directors intend to apply the net [**REDACTED**] from the [**REDACTED**] as follows:

(i) approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]), representing [**REDACTED**]% of the net [**REDACTED**] will be used to finance our fitting-out and construction projects in Macau, which include payment of early stage payments for new projects such as provision of performance bonds and prepayment of material costs and subcontracting fees; Our working capital was usually tied up until we received substantial progress payments from our customers to recover such early stage payments in later stage of our projects. The gap between the commencement of projects and the first payment received from customers for fitting out and construction projects are approximately five and seven months, respectively, on average. However, the first payment received from customers were not able to cover the Group's previous payments to suppliers and subcontractors during the gap and thus working capital would be tied up and/or continue to accumulate overtime when further works were being performed until substantial amount of progress payments were received from the customers to recover such early stage payments in later stage of the projects. The gap between the commencement of projects and the month of highest balance of net cash outflow are approximately 12 and ten months for fitting-out and construction projects, respectively, on average. During the three years ended 31 December 2018, such maximum working capital tied up for payment of early stage payments of our projects in average accounted for up to approximately 18.5% of the original contract sum of our projects. The gap between the commencement of projects and the month of subsequent cash flow breakeven are approximately 15 and 22 months for fitting-out and construction projects, respectively, on average. In this respect, our Directors consider that we can tender for and undertake more projects or more sizable projects with the net [**REDACTED**] from the [**REDACTED**] to finance our early stage payments. In this connection, we plan to apply the [**REDACTED**] to the following projects:

Awarded projects

Project code	Project type	Awarded contract sum *(MOP' million)*	Estimated project period *(Note 2)*	Estimated amount of early stage payments *(Note 3)* *(MOP' million)*
30	Fitting-out	12.7	May 2020 – Jan 2021	2.3
31	Fitting-out	45.6	Nov 2019 – Jun 2020	8.4
			Total	10.7

Potential projects

Project code	Project type	Estimated contract value *(Note 1)* *(MOP' million)*	Estimated project period *(Note 2)*	Estimated amount of payments for issuance of performance bond *(MOP' million)*	Estimated amount of early stage payments (excluding payments for issuance of performance bond) *(Note 4)* *(MOP' million)*
A	Construction	280.0	Dec 2019 – Nov 2020	14.0	37.8
B	Fitting-out	796.5	Dec 2020 – Dec 2022	39.8	107.6
C	Fitting-out	75.2	Aug 2020 – Jun 2021	–	13.9
D	Construction	420.0	Dec 2020 – Jan 2022	21.0	56.7
			Total	**74.8**	**216.0**

Notes:

1. The estimated contract value is based on the contract amount set out in the tender or quotation to be submitted.

2. The estimated project period is based on the best estimation of our Directors having made reasonable enquiries with the potential customers. The actual project period is subject to the final decision of the potential customers.

3. Estimated amount of early stage payments is estimated by our Directors based on the average of early stage payments of our projects to original contract sum for the three years ended 31 December 2018.

4. Estimated amount of early stage payments (excluding payments for issuance of performance bond) is estimated by our Directors based on the average of early stage payments of our projects to original contract sum for the three years ended 31 December 2018 minus estimated amount of payments for issuance of performance bond.

5. Our Directors estimate that issuance of performance bond is not required for Project 28, Project 29, Project 30 and Project C as they are private sector projects which are relatively small in size.

As at the Latest Practicable Date, we had (i) 46 tenders or quotations submitted and awaiting tender results (including Project B and C) for fitting-out projects; and (ii) nine tenders submitted and awaiting results (including Project A) and one tender or quotation to be submitted (Project D) for construction projects, respectively, with a total estimated contract sum of over MOP7,149.6 million. Based on the information available as at the Latest Practicable Date and our management's assessment, our Directors believe that we have a higher chance of securing the above four potential projects comparing to the other on-going tenders taking into account the following:

Project A:

We had entered into a memorandum of understanding for construction of hotel premises with the 98% shareholder of the potential customer (valid until 28 April 2020) who is an individual and, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, an Independent Third Party, pursuant to which such project was agreed to be undertaken by our Group. During the Track Record Period, we provided services of shop drawing and procurement of furniture to him for another hotel project. Our Directors confirmed that, as at the Latest Practicable Date, our Group had submitted the quotation to the potential customer and were in the process of finalising the project management plan and engineering drawings as well as terms of contract. We were requested to advise on matters in relation to the potential customer's preliminary design and construction plans submitted to the relevant authorities for approval and our Directors expect that our engagement will be confirmed and contract terms will be finalized after such approval is granted. The Directors consider that the memorandum of understanding was entered into between our Group and the potential customer as, in return of securing the business opportunity, we were requested to advise on matters related to submissions to the relevant authorities as aforementioned and we were expected to reserve manpower and resources to undertake the project at the time of commencement.

Project B:

The potential customer is a foundation that owns a university in Macau. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, the potential customer is an Independent Third Party. We had submitted the tender in early April 2019 and were awaiting the tender result as at the Latest Practicable Date. The project involves fitting out of a medical building of a university in Macau. Our Directors are of the view that we have high likelihood of successful tender and securing the project taking into account the following considerations:

(i) Our Group had a relatively high success rate in tendering projects similar to Project B when compared to the average success rate of tender submitted by our Group during the Track Record Period. Since 2016, our

Group was awarded six projects out of ten tenders for similar projects, representing a success rate of approximately 60.0%. Our Directors consider that the higher tender success rate reflects our Group's competitiveness and strength in tendering for and undertaking similar projects. We believe that such track record enhance our experience in undertaking similar projects and further increase our advantage in future tendering of these projects.

(ii) According to the tender documents, Project B involves elements including but not limited to (a) university building; (b) medical buildings and facilities; and (c) design and build. Our Directors consider that we have solid experience and track record in undertaking projects which involve the above elements. During the Track Record Period, we undertook 60 projects which involved one or more of the above elements. Our Directors believe that our track record in those projects demonstrate our capability and suitability in undertaking the project and we developed our competitive edge in achieving higher technical scoring in the tender assessment process of the potential customer.

Project C:

We had entered into a framework agreement with the potential customer, which is a company incorporated in Macau principally engaged in construction and trading of properties. The potential customer is an existing customer and to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, each of its ultimate beneficial owners is an Independent Third Party, pursuant to which such project was intended to be undertaken by our Group. As represented by the potential customer, the potential customer is a subsidiary of an enterprise owned by a provincial government of the PRC. The framework agreement also set out certain intended terms of the contract such as the estimated contract value, estimated timeframe for project completion, payment terms and retention money. We had submitted our preliminary quotation and our Directors confirmed that we were in the process of discussing the quotation and detailed scope of work with the potential customer as at the Latest Practicable Date. Our Directors expect that the contract will be signed in March 2020. The Directors consider that the framework agreement was entered into between our Group and the potential customer as there were no material disagreement regarding the basis of pricing in the quotation submitted and the potential customer would like to procure us to reserve manpower and resources to undertake the project at the time of commencement.

Project D:

We had entered into a framework agreement with the potential customer, pursuant to which such project was intended to be undertaken by our Group. The potential customer is a company incorporated in Macau principally engaging in information technology project management services, system application and maintenance, and to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, each of its ultimate beneficial owners is an Independent Third Party. We are required to assist the potential customer in preparing the design and construction plan and related documents to be submitted to the relevant authorities for approval under the framework agreement. The framework agreement also set out certain intended terms of the contract, which is estimated to be signed in June 2020 after approval of the design and construction plan is granted by the relevant authority, such as the estimated contract value, estimated timeframe for project completion, payment terms and retention money. The Directors expect that the tender will be submitted to the potential customer once the design plan is confirmed. The Directors consider that the framework agreement was entered into between our Group and the potential customer as, in return of securing the business opportunity, we were required to assist the potential customer in preparing submissions to the relevant authorities as aforementioned and were expected to reserve manpower and resources to undertake the project at the time of commencement.

In the event that we could not secure the above four potential projects, we will apply the net [**REDACTED**] to finance the early stage payments of the next projects we secured from the other on-going tenders. In respect of the other on-going tenders with a total estimated contract sum of over MOP5,577.9 million, our Directors consider that there was not sufficient information on hand as at the Latest Practicable Date to assess the likelihood of winning these tenders. Notwithstanding, taking into account the average tender success rate and the average of early stage payments of our projects to original contract sum for the three years ended 31 December 2018, our Directors estimate that further capital resources of more than MOP174.1 million would be required to finance the payment of early stage payments for projects which may be potentially awarded to us from these tenders.

In addition, we are also preparing for the submission of tender for six fitting-out with estimated total contract sum of over MOP113.0 million, respectively, as at the Latest Practicable Date. Our Directors consider that our Group will be consistently in need of financial resources to cope with our expansion strategy and increasing effort in tendering for projects.

Our Directors consider that the growth of our Group's revenue during the Track Record Period, particularly from the year ended 31 December 2016 to the year ended 31 December 2017, was mainly attributable to the increase in total contract value of new contracts awarded to us as a result of a significant increase in tender submission starting from the year of 2016 which is commensurate with our business objective to further strengthen its position and overall competitiveness of its fitting-out, construction and repair and maintenance businesses and increase our market share in Macau. As disclosed above, we generally rely on cash inflow from our clients to meet our payment obligations to our suppliers and subcontractors and occasionally there is a mismatch in the cash inflow from clients and cash outflow to our suppliers and subcontractors. Thus, we consider our current bank balances and cash and bank facilities could support our current business operation but insufficient to finance our prospective projects set out above and cope with our increasing tendering effort to facilitate our further business expansion. Our Directors consider that it is necessary to obtain additional working capital in order for us to conduct our business development plans. Without the [**REDACTED**] from the [**REDACTED**], our Group will be required to continue to finance the awarded projects by a combination of cash generated from operations and unutilized banking facilities; and we believe that we will not be able to undertake additional potential projects to further expand the scale of our operations as planned in the event we fail to obtain the require funding from the abovementioned sources.

(ii) approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]), representing [**REDACTED**]% of the net [**REDACTED**] will be used to increase our workforce, details as set out below:

Function of staff	**Number of staff**	**Approximate amount if [REDACTED] from the [REDACTED]** *(MOP'000)*
Architect with relevant qualification and at least five years of experience	1	[**REDACTED**]
Project manager with at least five years of experience	2	[**REDACTED**]
Civil Engineer with at least five years of experience	3	[**REDACTED**]
Electrical and mechanical engineer with at least five years of experience	8	[**REDACTED**]
Tower crane operators with at least five years of experience	1	[**REDACTED**]
Foremen with at least five years of experience	5	[**REDACTED**]
Total		[**REDACTED**]

(iii) approximately HK$[**REDACTED**] (equivalent to approximately MOP[**REDACTED**]), representing [**REDACTED**]% of the net [**REDACTED**] will be used to purchase machinery and equipment as well as their repair and maintenance, details as set out below:

Type of machinery and equipment	**Number of machinery and equipment**	**Approximate amount if [REDACTED] from the [REDACTED]** *(MOP'000)*
Tower cranes	1	**[REDACTED]**
Lorry cranes	1	**[REDACTED]**
Cement spraying machine	24	**[REDACTED]**
Automatic plastering machine	24	**[REDACTED]**
Total		**[REDACTED]**

During the Track Record Period, we acquired only one set of cement spraying and automatic plastering machines due to limited financial resources. In order to cope with our expansion plan in the fitting-out, construction and repair and maintenance industry in Macau and maintain our competitiveness, we consider there is an imperative need for us to expand our fleet of machineries and equipment for a number of reasons as set out in the section headed "Business – Business strategies – Improve our capacity, capabilities and cost efficiency" in this document. Our Directors consider that the above machineries and equipment can expand our service capacity in the following manner:

Tower cranes

To our Directors' experience, usually one tower crane is required for the construction of one premises. On this basis, our Directors estimate that the one tower crane to be acquired can be applied to one construction project involving the construction of one premises. With the assumption that the construction of one premises takes roughly one year to complete based on the experience of our Directors, the tower crane to be acquired will allow the Group to complete the construction of one premises per year.

Lorry crane

The lorry crane to be acquired will be used for the transportation of machineries and equipment, including those to be acquired as aforementioned, and has no direct impact on the service capacity of our Group.

Cement spraying and automatic plastering machine

With reference to the manual provided by the relevant suppliers and to the best estimation of our Directors, the work rate of a set of cement spraying and automatic plastering machines is equivalent to around 17 human workers in carrying out cement spraying and plastering works. On this basis, owning 24 sets of cement spraying and automatic plastering machines is equivalent to maintaining a team of approximately 400 human workers. Taking into account that our Group engaged 34 human workers on average for the cement spraying and plastering works of each of our major fitting out projects during the Track Record Period, our Group will be able to handle an addition of around 11 fitting out projects at any given time after the acquisition of the cement spraying and automatic plastering machines. Based on the assumption that a major fitting-out project takes around 16 months to complete with reference to the average project period of the completed major fitting-out projects of our Group during the Track Record Period, the 24 sets of cement spraying and automatic plastering machines to be acquired will allow us to complete around eight fitting-out projects per year.

In deciding the type and quantity of machinery and equipment we intend to acquire, our Directors have considered the above factors and conducted a cost and benefit analysis. As illustrated below, based on the cost and benefit analysis between (i) the additional monthly depreciation expenses expected to be incurred for the above machineries and equipment based on a straight-line method with the respective estimated useful lives stated above; and (ii) the monthly rental cost saved with reference to the quotations obtained from lessors of the relevant machinery and equipment, our Directors consider that it is in the interest of our Group to purchase rather than to lease those machineries and equipment.

We intend to purchase machinery and equipment in the following manner for the period from the Latest Practical Date to 31 December 2021:

Type of machinery and equipment	From the Latest Practical Date to 31 December 2019	For the six months ending 30 June 2020	31 December 2020	30 June 2021	31 December 2021	Total number of machinery or equipment to be purchased
Tower cranes	–	–	1	–	–	1
Lorry cranes	–	–	1	–	–	1
Cement spraying machine	6	8	4	6	–	24
Automatic plastering machine	6	8	4	6	–	24

The table below sets forth the estimated monthly rental cost saved and additional monthly depreciation expenses incurred from the purchase of the machinery and equipment:

Type of machinery and equipment	**Number of units**	**Approximate monthly depreciation expense in respect of the machinery and equipment**	**Approximate monthly rental cost in respect of the machinery and equipment**
		MOP	*MOP*
Tower cranes	1	25,183	150,000
Lorry cranes	1	60,022	252,000
Cement spraying machine	24	32,000	156,000
Automatic plastering machine	24	62,800	76,800
		180,005	634,800

Based on the table above, the approximate monthly rental cost for the machinery and equipment that the Group intends to purchase is higher than the additional depreciation expenses incurred from the purchase of such machinery and equipment. Therefore, the Directors consider that it is more cost effective to acquire rather than to lease the above machinery and equipment.

We intend to apply the net [**REDACTED**] in the following manner for the period from the Latest Practicable Date to 31 December 2021:

	From the Latest Practical Date to 31 December 2019	For the six months ending 30 June 2020	31 December 2020	30 June 2021	31 December 2021	Total	Approximate percentage of net [REDACTED]
	MOP million	*MOP million*	*MOP million*	*MOP million*	*MOP million*	*MOP million*	*%*
Finance our fitting-out and construction projects in Macau	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Increase workforce	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Purchase machinery and equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The table below sets out the estimated net [**REDACTED**] of the [**REDACTED**] which we will receive after deducting [**REDACTED**] fees and other estimated expenses in connection with the [**REDACTED**]:

	Assuming the [REDACTED] is not exercised	**Assuming the [REDACTED] is exercised in full**
If the [**REDACTED**] is fixed at HK$[**REDACTED**] per Share (being the mid-point of the [**REDACTED**] range stated in this document)	Approximately HK$[**REDACTED**]	Approximately HK$[**REDACTED**]
If the [**REDACTED**] is fixed at HK$[**REDACTED**] per Share (being the high end of the [**REDACTED**] range stated in this document)	Approximately HK$[**REDACTED**]	Approximately HK$[**REDACTED**]
If the [**REDACTED**] is fixed at HK$[**REDACTED**] per Share (being the low end of the [**REDACTED**] range stated in this document)	Approximately HK$[**REDACTED**]	Approximately HK$[**REDACTED**]

In the event that the [**REDACTED**] is exercised in full, we estimate that we will receive additional net [**REDACTED**] of approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the [**REDACTED**] range stated in this document. We intend to apply the additional net [**REDACTED**] to the above uses on a pro-rata basis.

If the [**REDACTED**] is fixed at the high end or low end of the stated [**REDACTED**] range, and assuming that the [**REDACTED**] is not exercised, our net [**REDACTED**] will be increased or decreased by approximately HK$[**REDACTED**], respectively. In this event, we will increase or decrease the allocation of the net [**REDACTED**] to the above purposed on a pro-rata basis.

BASES AND ASSUMPTIONS

The implementation plans for our business strategies are set out by our Directors based on the following principal bases and assumptions:

(i) there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong, and any other places where any members of our Group carry on business and provide or will provide services;

(ii) there will be no material changes in the bases or rates of taxation and duties in Hong Kong or in any other places where any member of our Group operates or will operate or is incorporated;

(iii) our Group will have sufficient financial resources to meet the planned capital and business development requirements during the period to which the business objective relates;

(iv) the [**REDACTED**] will be completed in accordance with and as described in the section headed "Structure and Conditions of the [**REDACTED**]" in this document;

(v) our Directors' and key senior management will continue their involvement in the development of our existing and future development and our Group will be able to retain our key management personnel;

(vi) we will be able to recruit new staff when required;

(vii) there will be no change in the funding requirement for carrying out each of the implementation plans described in this document from the amount as estimated by our Directors;

(viii) we will not be materially and adversely affected by the risk factors as set out in the section headed "Risk Factors" in this document; and

(ix) we will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out our implementation plans without disruption.

These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set forth in the section headed "Risk Factors" in this document. There can be no assurance that our plans will materialise in accordance with the expected time frame or that the business subjective of our Group will be accomplished at all.

[**REDACTED**]

[REDACTED] ARRANGEMENTS AND EXPENSES

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-64, received from the Company's reporting accountants, Wellink CPA Limited, Certified Public Accountants, Hong Kong, for the purposes of incorporation in this document.

Wellink CPA Limited
滙聯會計師事務所有限公司

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HUARCHI GLOBAL GROUP HOLDINGS LIMITED AND AMPLE CAPITAL LIMITED

Introduction

We report on the historical financial information of Huarchi Global Group Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-64, which comprises the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 April 2019, the statements of financial position of the Company as at 31 December 2017 and 2018 and 30 April 2019, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 (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-64 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated 31 October 2019 (the "**Document**") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for 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 preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investments Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2016, 2017 and 2018 and 30 April 2019, of the Company's financial position as at 31 December 2017 and 2018 and 30 April 2019 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about dividends declared or paid by group entities and states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No statutory financial statements have been prepared for the Company since the date of its incorporation.

Wellink CPA Limited
Certified Public Accountants
Chan Yan Ting
Practising Certificate number P06380
Hong Kong
31 October 2019

HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Wellink CPA Limited under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Macau Pataca ("**MOP**") and all values are rounded to the nearest thousand (MOP'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

					Four months ended	
		Year ended 31 December			**30 April**	
	Notes	**2016**	**2017**	**2018**	**2018**	**2019**
		MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
					(unaudited)	
Revenue	*8*	175,216	322,724	400,085	104,681	158,840
Cost of services		(121,957)	(244,140)	(320,469)	(77,875)	(125,066)
Gross profit		53,259	78,584	79,616	26,806	33,774
Other income	*10*	340	342	2,852	79	805
Other net (losses)/gains	*11*	(13)	–	129	–	–
Administrative and other operating expenses		(19,248)	(16,203)	(17,393)	(5,657)	(5,623)
Finance costs	*12(a)*	(2,588)	(5,042)	(2,955)	(1,020)	(911)
[**REDACTED**] expenses	*12(c)*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Profit before taxation		29,526	56,402	55,573	18,606	27,353
Income tax expense	*13*	(4,160)	(6,725)	(7,131)	(2,683)	(3,613)
Profit and total comprehensive income for the year/period	*12*	25,366	49,677	48,442	15,923	23,740
Attributable to:						
Equity shareholders of the Company		24,906	49,677	48,442	15,923	23,740
Non-controlling interests		460	–	–	–	–
Profit and total comprehensive income for the year/period		25,366	49,677	48,442	15,923	23,740

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2016	2017	2018	As at 30 April 2019
		MOP'000	MOP'000	MOP'000	MOP'000
Non-current assets					
Plant and equipment	17	330	141	130	463
Right-of-use assets	18	–	–	963	653
Intangible assets	19	1,427	–	–	–
		1,757	141	1,093	1,116
Current assets					
Trade and other receivables	20	50,003	116,411	153,795	159,031
Amounts due from controlling shareholders	21(a)	100,568	32,326	2,304	2,304
Amount due from ultimate holding company	21(b)	–	3	–*	–*
Contract assets	22	49,028	43,586	22,752	68,767
Pledged bank deposits	23	51,150	31,173	34,032	51,390
Bank balances and cash	23	17,521	53,538	15,723	11,105
		268,270	277,037	228,606	292,597
Current liabilities					
Trade and other payables	24	(54,772)	(79,540)	(78,383)	(101,301)
Contract liabilities	22	(18,669)	(16,584)	(3,296)	(17,219)
Lease liabilities	26	–	–	(911)	(678)
Tax payable		(6,123)	(11,795)	(7,407)	(10,990)
Bank overdrafts	25	(34,402)	(24,478)	(10,343)	(10,460)
Bank and other borrowings	25	(56,634)	(45,674)	(42,000)	(42,000)
		(170,600)	(178,071)	(142,340)	(182,648)
Non-current liabilities					
Lease liabilities	26	–	–	(34)	–
		–	–	(34)	–
Net current assets		97,670	98,966	86,266	109,949
Net assets		99,427	99,107	87,325	111,065
Capital and reserves					
Share capital	27	100	103	–*	–*
Reserves		99,327	99,004	87,325	111,065
Total equity		99,427	99,107	87,325	111,065

* The balances represent amount less than MOP1,000.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		As at 30 April
		2017	**2018**	**2019**
	Notes	*MOP'000*	*MOP'000*	*MOP'000*
Non-current assets				
Investment in subsidiaries		–	32	32
Current assets				
Amount due from a subsidiary	*21(c)*	–	19,597	19,499
Amount due from a holding company		–*	–*	–*
		–	19,597	19,499
Current liabilities				
Accruals		–	(25)	(437)
Amount due to a subsidiary	*21(c)*	–	(21)	(32)
		–	(46)	(469)
Net current assets		–	19,551	19,030
Net assets		–*	19,583	19,062
Capital and reserves				
Share capital		–*	–*	–*
Reserves	*28*	–	19,583	19,062
Total equity		–*	19,583	19,062

* The balances represent amount less than MOP1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital *MOP'000* *(Note d)*	Share premium *MOP'000* *(Note e)*	Merger reserve *MOP'000*	Legal reserve *MOP'000* *(Notes a & b)*	Capital reserve *MOP'000* *(Note c)*	Retained profits *MOP'000*	Total *MOP'000*	Non-controlling interests *MOP'000*	Total *MOP'000*
At 1 January 2016	100	–	–	50	–	61,176	61,326	3,386	64,712
Acquisition of shares from non-controlling interest	–	–	–	–	–	3,846	3,846	(3,846)	–
Acquisition of subsidiaries *(Note 29)*	–	–	–	–	9,159	–	9,159	–	9,159
Issuance of shares of certain subsidiaries *(Note d)*	–	–	–	–	190	–	190	–	190
Profit and total comprehensive income for the year	–	–	–	–	–	24,906	24,906	460	25,366
Transferred from retained profits	–	–	–	119	–	(119)	–	–	–
At 31 December 2016	100	–	–	169	9,349	89,809	99,427	–	99,427
Issuance of shares of certain subsidiaries *(Note d)*	3	–	–	–	–	–	3	–	3
Profit and total comprehensive income for the year	–	–	–	–	–	49,677	49,677	–	49,677
Transferred from retained profits	–	–	–	179	–	(179)	–	–	–
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	(50,000)	(50,000)	–	(50,000)
At 31 December 2017	103	–	–	348	9,349	89,307	99,107	–	99,107
Profit and total comprehensive income for the year	–	–	–	–	–	48,442	48,442	–	48,442
Effect of reorganisation	(103)	–	103	–	–	–	–	–	–
Issuance of shares *(Note 27)*	–*	19,776	–	–	–	–	19,776	–	19,776
Transferred from retained profits	–	–	–	47	–	(47)	–	–	–
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	(80,000)	(80,000)	–	(80,000)
At 31 December 2018	–*	19,776	103	395	9,349	57,702	87,325	–	87,325
Profit and total comprehensive income for the period	–	–	–	–	–	23,740	23,740	–	23,740
At 30 April 2019	–*	19,776	103	395	9,349	81,442	111,065	–	111,065

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Merger reserve**	**Legal reserve**	**Capital reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
	(Note d)	*(Note e)*		*(Notes a & b)*	*(Note c)*				
At 1 January 2018	103	–	–	348	9,349	89,307	99,107	–	99,107
Profit and total comprehensive income for the period (unaudited)	–	–	–	–	–	15,923	15,923	–	15,923
Effect of reorganisation	(103)	–	103	–	–	–	–	–	–
Issuance of shares *(Note 27)*	–*	19,776	–	–	–	–	19,776	–	19,776
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	(80,000)	(80,000)	–	(80,000)
At 30 April 2018 (unaudited)	–*	19,776	103	348	9,349	25,230	54,806	–	54,806

* The balances represent amount less than MOP1,000.

Notes:

(a) In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiaries registered under private limited liability companies by quotas in Macau are required to transfer part of their profits of each accounting period of not less than 25% to legal reserve, until the amount reaches half of the respective share capital.

(b) In accordance with the Article 432 of the Commercial Code of Macau Special Administrative Region, a subsidiary registered under a public company by shares (in Chinese "股份有限公司") in Macau is required to transfer part of its profits of each accounting period of not less than 10% to legal reserve until the amount reaches a quarter of the respective share capital.

(c) Capital reserve represents the nominal consideration for the acquisition of subsidiaries and the issuance of shares of certain subsidiaries. For details of the acquisition of subsidiaries, please refer to the Note 29.

(d) The share capital of the Group as at 31 December 2016 represents the paid up capital of AD & C Engineering & Construction Company Limited ("**AD&C**"). The share capital of the Group as at 31 December 2017 represents the aggregate amount of paid up capital of the Company, AD&C, HGC-WAH KEE Limited ("**Wah Kee**"), HGC-WAH LUEN Limited ("**Wah Luen**"), HGC-KWAN FUNG Limited ("**Kwan Fung**") and HGC-SHEUNG KEE Limited ("**Sheung Kee**"). The share capital of the Group as at 31 December 2018 and 30 April 2019 represents the paid up capital of the Company.

(e) The share premium represents the difference between the consideration of HK$19,200,000 (approximately MOP19,776,000) and the par value of the 1,240 shares and 1,240 shares of the Company issued to Ace Hope Investments Limited and Talent Leap Investments Limited respectively (Note 27).

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
				(unaudited)	
Operating activities					
Profit before taxation	29,526	56,402	55,573	18,606	27,353
Adjustments for:					
Depreciation of plant and equipment	203	189	111	60	19
Depreciation of right-of-use assets	–	–	899	278	310
Amortisation of intangible assets	1,570	1,427	–	–	–
Loss on dissolution of a joint venture company	9	–	–	–	–
Gain on disposal of plant and equipment	–	–	(129)	–	–
Bank interest income	(332)	(335)	(423)	(79)	(140)
Finance costs	2,588	5,042	2,955	1,020	911
Operating cash flows before movements in working capital	33,564	62,725	58,986	19,885	28,453
Decrease/(increase) in trade and other receivables	22,836	(74,984)	(37,384)	13,431	(5,237)
(Increase)/decrease in contract assets	(31,778)	5,442	20,835	(15,145)	(46,015)
Increase/(decrease) in trade and other payables	20,646	25,186	(1,158)	(15,101)	22,920
(Decrease)/increase in contract liabilities	(13,453)	(2,085)	(13,288)	25,176	13,922
Cash generated from operations	31,815	16,284	27,991	28,246	14,043
Income tax paid	(2,306)	(1,054)	(11,519)	–	(30)
Net cash generated from operating activities	29,509	15,230	16,472	28,246	14,013
Investing activities					
Purchase of plant and equipment	–	–	(111)	–	(352)
Proceeds from disposal of plant and equipment	–	–	140	–	–
Net cash inflow from the acquisition of subsidiaries	10,015	–	–	–	–
Repayment from controlling shareholders	23,306	42,703	34,025	2,133	–
Advance to controlling shareholders	(42,315)	(54,905)	–	–	–
Advanced from related companies	175,932	68,496	–	–	–
Repayment to related companies	(149,417)	(29,893)	(4,000)	(4,000)	–
(Increase)/decrease in pledged bank deposits	(17,987)	19,977	(2,859)	(2,578)	(17,358)
Interest received	332	335	423	79	140
Net cash (used in)/generated from investing activities	(134)	46,713	27,618	(4,366)	(17,570)

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
				(unaudited)	
Financing activities					
Advanced from related companies	80,438	–	–	–	–
Repayment to related companies	(127,484)	–	–	–	–
New bank borrowings raised	–	5,000	–	–	–
Repayments of lease liabilities	–	–	(998)	(294)	(280)
Repayments of bank and other borrowings	(11,445)	(15,960)	(3,674)	(331)	–
Bank overdrafts	15,997	(9,924)	(14,135)	(8,149)	117
Issuance of shares	–	–	19,776	19,776	–
Dividend paid	–	–	(80,000)	(80,000)	–
Interest paid	(2,588)	(5,042)	(2,874)	(990)	(898)
Net cash used in financing activities	(45,082)	(25,926)	(81,905)	(69,988)	(1,061)
Net (decrease)/increase in cash and cash equivalents	(15,707)	36,017	(37,815)	(46,108)	(4,618)
Cash and cash equivalents at the beginning of the year/period	33,228	17,521	53,538	53,538	15,723
Cash and cash equivalents at the end of the year/period	17,521	53,538	15,723	7,430	11,105

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 June 2017 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 and the principal place of business is disclosed in the section headed "Corporate Information" in the Document. The ultimate holding company of the Company is Seong Wa Holdings Limited ("**Seong Wa**"), which was incorporated in the British Virgin Islands ("**BVI**") and is jointly owned by Mr. Lou Cheok Meng ("**Mr. Lou**"), Mr. Chang Wa Ieong ("**Mr. Chang**"), Mr. Ao Weng Kong ("**Mr. Ao**") and Mr. Leong Ka In ("**Mr. Leong**") (Note 2 (i)).

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation below. Its subsidiaries are principally engaged in provision of (i) fitting-out works; (ii) construction works; and (iii) repair and maintenance works.

The Historical Financial Information is presented in MOP which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conforms with Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by the HKICPA and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("**AG5**") issued by the HKICPA.

In the preparation of the [**REDACTED**] of the Company's shares on the Stock Exchange (the "[**REDACTED**]"), the companies comprising the Group underwent the reorganisation as detailed in the section "History, Reorganisation and Corporate Structure" (the "**Reorganisation**") in the Document and are now described as below.

(i) On 15 June 2017, Seong Wa was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US$1.00 each. On 15 June 2017, each of Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong was allotted and issued at par 40, 20, 20 and 20 fully paid ordinary shares respectively.

(ii) On 20 June 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 per share ("**Share**"). The subscriber to the Memorandum and Articles of Association was allotted and issued one fully paid Share. The subscriber Share was subsequently transferred to Seong Wa on the same day. On 20 June 2017, 999 Shares were allotted and issued at par to Seong Wa. Thereafter, Seong Wa owned 1,000 Shares.

(iii) On 21 June 2017, each of Wah Kee, Wah Luen, Kwan Fung and Sheung Kee (together the "**BVI Intermediate Companies**") was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US$1.00 each. On 21 June 2017, Seong Wa was allotted and issued at par 100 fully paid ordinary shares of each of the BVI Intermediate Companies.

(iv) On 4 January 2018, Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong together transferred their entire issued capital or registered capital of AD&C, Huarchi Global Construction Corporation Limited ("**Huarchi Global**"), Q.F. Stone Decoration Engineering (Macau) Company Ltd. ("**Q.F. Stone**") and S.J. Construction Design Engineering Company Ltd. ("**S.J. Construction**"), (all the above four companies together the "**Macau Operating Subsidiaries**") to Wah Kee, Wah Luen, Kwan Fung and Sheung Kee respectively, in consideration of the BVI Intermediate Companies allotting and issuing new shares to Seong Wa. Thereafter, the Macau Operating Subsidiaries became wholly-owned subsidiaries of the BVI Intermediate Companies.

(v) On 22 January 2018, Seong Wa transferred the entire issued share capital of each of the BVI Intermediate Companies to the Company in consideration of the Company allotting and issuing new Shares to Seong Wa.

Upon completion of the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group and Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong together are considered as the controlling shareholders of the Group (the "**Controlling Shareholders**").

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period. The consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 April 2019 have been prepared to present the assets and liabilities of the companies now comprising the Group, using their existing carrying amounts, as if the current group structure upon the completion of the Reorganisation had been in existence at those dates.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied all new and revised HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 January 2019 throughout the Track Record Period, including HKFRS 15 "Revenue from Contracts with Customers" and related amendments to HKFRS 15 "Clarifications to HKFRS 15 Revenue from Contracts with Customers", together with the relevant transitional provisions, and HKFRS 16 "Leases" except that the Group adopted HKFRS 9 "Financial Instruments" on 1 January 2018 and applied HKAS 39 "Financial Instruments: Recognition and Measurement" for the two years ended 31 December 2017. The accounting policies for financial instruments under HKFRS 9 we set out in note 4 below.

HKFRS 9 "Financial Instruments" and the related amendments

In the year ended 31 December 2018, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("ECL") for financial assets and (iii)general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e.applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39 "Financial instruments: Recognition and Measurement".

Impairment of financial assets and contract assets

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The accounting policies and details of assessments are set out in notes 4, 20 and 22.

The directors of the Company considered that the ECL of these assets as at 1 January 2018 (upon the application of HKFRS 9) was insignificant.

Up to the date of issue of the Historical Financial Information, the HKICPA has issued the following new standards, amendments and interpretations which are not yet effective for the Track Record Period and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
HKFRS 17, *Insurance Contracts*	1 January 2021
HKFRS 10 and HKAS 28, Amendments in *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
HKFRS 3, Amendments in *Definition of a Business*	1 January 2020
HKAS 1 and HKAS 8, Amendments in *Definition of Material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expect impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take where there are alternative approaches allowed under the new standards.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items 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 carrying values from the controlling party's perspective. No amount is recognised in respect of 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 common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other 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 this is a shorter period, regardless of the date of the common control combination.

Business combinations

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement.

Joint ventures

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which include any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognised further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Joint operations

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

Revenue recognition

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or
- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Provision of fitting-out and construction works

(a) Recognition

The Group provides fitting-out and construction works to the customers. For fitting out and construction work, our Group's performance creates or enhance an assets or work in progress that the customers controls as the asset is created or enhanced and thus our Group satisfies a performance obligation and recognises revenue over the time. When the progress towards complete satisfaction of the performance obligations of a contract can be measured reasonably, revenue from fitting-out and construction works are recognised using the percentage of completion method, measured by reference to the amount of work performed to date as a percentage of total contract sum (i) under output method: the work performed is established according to the progress certificate confirmed by the customers or (ii) under input method: the work performed is measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. For all projects (i.e applied consistently) with progress certificates confirmed by customers such that progress certificates provide the most faithful and reliable depiction of the Group's progress in satisfying its performance obligations (i.e. similar performance obligations in similar circumstances), output method is adopted to measure progress; and for all projects (i.e applied consistently) with no progress certificates confirmed by customers such that Group's inputs relative to the total expected inputs to the satisfaction of performance obligations provide the most faithful and reliable depiction of the Group's progress in satisfying its performance obligations (i.e. similar performance obligations in similar circumstances), input method is adopted to measure progress.

When the progress towards complete satisfaction of the performance obligations of a contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

(b) Contract assets/liabilities

The Group has rights to consideration from customers for the provision of fitting-out and construction works. Contract assets arise when the Group has right to consideration for completion of fitting-out and construction works and not billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right become unconditional other than the passage of time. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment exceeds the revenue recognised to date, then the Group recognises a contract liabilities for the difference.

Upfront payment received by the Group is initially recognised as contract liabilities.

Repair and maintenance service and consultancy fee income

Repair and maintenance service and consultancy fee income are recognised when services are provided.

Other income

Interest income is recognised on a time proportion basis using the effective interest method.

Insurance compensation is recognised when the insurance company confirmed the payment of the insurance compensation.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leases

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- 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 by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKAS 39/HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Retirement benefit costs

Payments to the Social Security Fund Contribution in Macau are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit before taxation' as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Financial instruments (before application of HKFRS 9 on 1 January 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from controlling shareholders, amount due from ultimate holding company, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities including trade and other payables, amounts due to related companies and a director and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial instruments (after application of HKFRS 9 on 1 January 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of financial assets within the timeframe established by the market concerned.

All recognised financial assets are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on a specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Group's financial assets are subsequently measured at amortised cost.

Amortised cost and effective interest rate

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, contract assets, amounts due from controlling shareholders, amount due from ultimate holding company, pledged bank deposits and bank balances and cash). The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and retention receivables and contract assets and assesses the lifetime ECL for trade and retention receivables and contract assets individually. The estimate of the credit loss is determined based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the end of each reporting period, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account when assessing whether the credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when the instrument is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have been occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer of the borrower; or
- A breach of contract, such as a default or past due event; or
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- It is becoming probably that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice when appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

The ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade and retention receivables and contract assets where the correspondence adjustment is recognised through a loss allowance account.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, bank overdrafts and bank and other borrowings) are subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Plant and equipment

Plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Plant and machinery	20% – 33%
Furniture and fixtures	20% – 33%
Motor vehicles	33%

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Interest-bearing 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 profit or loss over the period of the borrowings using the effective interest method.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Related parties

(1) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(2) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Estimation uncertainty on construction contracts including fitting-out and construction works

The Group's contract profit or loss arising from construction contracts is estimated by reference to the latest available budgets of individual construction contracts prepared by the management of the Group. The estimation of budget contract costs is based on management's best estimates and judgements. Contract costs include costs for materials, labour costs and subcontracting fees. If the price of materials or the wages of labour or the subcontracting fees varied significantly in the coming months from the budgets, the contract profit for each of the individual projects will differ significantly from the estimated contract profit. If estimated costs exceed contract revenue, a contract loss will be recognised.

Estimated impairment of trade and retention receivables and contract assets

Prior to the adoption of HKFRS 9 on 1 January 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade and retention receivables and contract assets are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade and retention receivables and contract assets, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Since the adoption of HKFRS 9 on 1 January 2018, the management of the Group estimates the amount of impairment loss for ECL on trade and retention receivables and contract assets based on the credit risk of trade and retention receivables and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2016, 2017 and 2018 and 30 April 2019, the carrying amounts of trade and retention receivables and contract assets are approximately MOP82.5 million, MOP135.3 million, MOP150.5 million and MOP193.9 million, respectively.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank and other borrowings disclosed in Note 25, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The Group monitors capital with references to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there was adequate working capital to serve its debt obligations. At 31 December 2016, 2017 and 2018 and 30 April 2019, the ratio of the Group's total liabilities over its total assets was 63%, 64%, 62% and 62% respectively.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	214,274	219,476	N/A	N/A
Amortised cost	N/A	N/A	188,945	191,793
Financial liabilities				
Amortised cost	144,003	147,607	129,490	153,309

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables (excluding prepayment), amount(s) due from controlling shareholder(s) and ultimate holding company, pledged bank deposits, bank balances and cash, trade and other payables, lease liabilities, bank overdrafts and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group has no significant exposure to currency risk as substantially all of the Group's transaction are denominated in MOP.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances, bank overdrafts and bank borrowings (see Note 23 for details of bank balances and cash and pledged bank deposits and Note 25 for details of bank and other borrowings and bank overdrafts). The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's and the Company's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rates on prevailing best lending rates quoted by the banks in Macau (the "**Prime Rate**") and Hong Kong Interbank offered rate ("**HIBOR**") arising from the Group's bank borrowings and bank overdrafts.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial instruments at the end of the reporting period. For variable-rate bank overdrafts and bank borrowings, the analysis is prepared assuming bank overdrafts and bank borrowings outstanding at the end of the reporting period were outstanding for the whole year.

A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates on variable rate bank overdrafts and bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 would decrease/increase by approximately MOP396,000, MOP305,000, MOP230,000 and MOP230,000, respectively.

Credit risk

At the end of each reporting period, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees is arising from the carrying amount of the respective recognised financial assets and contract assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management of the Group reviews the recoverable amount of each individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts on trade and retention receivables and contract assets. Under HKAS 39, impairment losses are made for irrecoverable amounts. Upon the application of HKFRS 9 on 1 January 2018, the Group applies simplified approach on trade and retention receivables and contract assets to provide for ECL prescribed by HKFRS 9. To measure the ECL of trade and retention receivables and contract assets, trade and retention receivables and contract assets are assessed individually. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 December 2016, 2017 and 2018 and 30 April 2019 on trade and retention receivables from the Group's 5 major customers amounting to approximately MOP28,752,000, MOP60,933,000, MOP106,640,000 and MOP113,605,000, respectively and accounted for 86%, 66%, 83% and 91%, respectively, of the Group's total trade and retention receivables. The major customers of the Group are certain reputable organisations. The management of the Group considers that the credit risk is limited in this regard. Other than concentration of credit risk on trade and retention receivables, the Group has concentration of credit risk on amounts due from controlling shareholders. Amounts due from controlling shareholders amounted to approximately MOP100,568,000, MOP32,326,000, MOP2,304,000 and MOP2,304,000 as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. Details of which are set out in Note 21. In the opinion of the management of the Group, the risk of default by the counterparty is not significant and the Group assessed that the ECL on the balance is insignificant upon the application of HKFRS 9 on 1 January 2018 and thus no impairment loss allowance was recognised.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Since the adoption of HKFRS 9 on 1 January 2018, the Group applies 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 and contract assets. Management assessed the expected loss on trade and retention receivables and contract assets individually. Based on historical experience of the Group, these trade and retention receivables and contract assets are generally recoverable due to the long term/on-going relationship and good repayment record. As at 1 January 2018 (date of initial adoption of HKFRS 9) and 31 December 2018 and 30 April 2019, the additional loss allowance for provision for trade and retention receivables and contract assets was insignificant.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the senior management when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants (if any), to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the ended of each reporting period of the Group's non-derivative financial liabilities, which are based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the each reporting period) and the earliest date the Group can required to pay.

At 31 December 2016	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	Contractual undiscounted cash flow					
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Trade and other payables	52,967	–	–	–	52,967	52,967
Bank overdrafts	34,402	–	–	–	34,402	34,402
Bank and other borrowings	56,379	524	514	86	57,503	56,634
	143,748	524	514	86	144,872	144,003

At 31 December 2017	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	Contractual undiscounted cash flow					
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Trade and other payables	77,455	–	–	–	77,455	77,455
Bank overdrafts	24,478	–	–	–	24,478	24,478
Bank and other borrowings	43,751	842	1,938	–	46,531	45,674
	145,684	842	1,938	–	148,464	147,607

At 31 December 2018	Contractual undiscounted cash flow Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Trade and other payables	76,202	–	–	–	76,202	76,202
Bank overdrafts	10,343	–	–	–	10,343	10,343
Bank and other borrowings	42,569	–	–	–	42,569	42,000
Lease liabilities	937	34	–	–	971	945
	130,051	34	–	–	130,085	129,490

At 30 April 2019	Contractual undiscounted cash flow Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Trade and other payables	100,171	–	–	–	100,171	100,171
Bank overdrafts	10,460	–	–	–	10,460	10,460
Lease liabilities	690	–	–	–	690	678
Bank and other borrowings	42,569	–	–	–	42,569	42,000
	153,890	–	–	–	153,890	153,309

Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

8. REVENUE

Revenue represents the net amounts received and receivable for fitting-out works, construction works and repair and maintenance works rendered by the Group to customers, net of discounts, in which contract revenue from fitting-out and construction works recognised over time and revenue from repair and maintenance works recognised at a point in time during the Track Record Period.

An analysis of the Group's revenue is analysed as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* *(unaudited)*	*MOP'000*
Contract revenue from fitting-out works	166,803	297,318	392,700	104,379	158,016
Contract revenue from construction works	7,696	24,696	5,662	–	795
Repair and maintenance works	717	710	1,723	302	29
Total	175,216	322,724	400,085	104,681	158,840

Disaggregation of revenue from contracts with customers

(a) Revenue breakdown by recognition methods

The Group recognised revenue derived from provision of fitting-out, construction and repair and maintenance services either (i) over time by input or output method, (ii) at a point in time. The table below sets forth a breakdown of the Group's revenue by recognition methods during the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* *(unaudited)*	*MOP'000*
Revenue recognised over time					
Input method	79,709	32.256	16,864	11,940	581
Output method	94,790	289,758	381,498	92,439	158,230
Revenue recognised at a point in time	717	710	1,723	302	29
Total	175,216	322,724	400,085	104,681	158,840

When the progress towards complete satisfaction of the performance obligations of a contract can be measured reasonably, revenue from fitting-out and construction works is recognised using the percentage of completion method, measured by reference to the amount of work performed to date as a percentage of total contract sum. Under output method, the work performed is established according to the progress certificate confirmed by the customers. Under input method, the work performed is measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs.

The directors consider that progress certificates confirmed by customers are the only directly observable and faithful depiction to measure the Group's performance and progress. As such, for projects where the customers issue progress certificates, output method is to be adopted; and the only circumstance that leads to the adoption of input method for a particular project is the lack of progress certificates confirmed by customers.

(b) Revenue breakdown by source of contracts

	Year ended 31 December 2016			
	Fitting-out works	Construction works	Repair and maintenance works	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Source of contracts				
Public sector	90,935	6,749	717	98,401
Private sector	75,868	947	–	76,815
Total	166,803	7,696	717	175,216

	Year ended 31 December 2017			
	Fitting-out works	Construction works	Repair and maintenance works	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Source of contracts				
Public sector	134,832	24,058	710	159,600
Private sector	162,486	638	–	163,124
Total	297,318	24,696	710	322,724

	Year ended 31 December 2018			
	Fitting-out works	Construction works	Repair and maintenance works	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Source of contracts				
Public sector	70,160	5,662	1,315	77,137
Private sector	322,540	–	408	322,948
Total	392,700	5,662	1,723	400,085

	Four months ended 30 April 2018 (unaudited)			
	Fitting-out works	Construction works	Repair and maintenance works	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Source of contracts				
Public sector	18,605	–	290	18,895
Private sector	85,774	–	12	85,786
Total	104,379	–	302	104,681

	Four months ended 30 April 2019			
	Fitting-out works	Construction works	Repair and maintenance works	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Source of contracts				
Public sector	24,151	–	25	24,176
Private sector	133,865	795	4	134,664
Total	158,016	795	29	158,840

	Year ended 31 December 2016			
	Fitting-out works	Construction works	Repair and maintenance works	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Source of contracts				
Main contractor	92,705	7,696	717	101,118
Subcontractor	74,098	–	–	74,098
Total	166,803	7,696	717	175,216

	Year ended 31 December 2017			
	Fitting-out works	Construction works	Repair and maintenance works	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Source of contracts				
Main contractor	139,333	24,696	710	164,739
Subcontractor	157,985	–	–	157,985
Total	297,318	24,696	710	322,724

	Year ended 31 December 2018			
	Fitting-out works	Construction works	Repair and maintenance works	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Source of contracts				
Main contractor	68,693	5,662	1,583	75,938
Subcontractor	324,007	–	140	324,147
Total	392,700	5,662	1,723	400,085

	Four months ended 30 April 2018 (unaudited)			
	Fitting-out works	Construction works	Repair and maintenance works	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Source of contracts				
Main contractor	17,957	–	302	18,259
Subcontractor	86,422	–	–	86,422
Total	104,379	–	302	104,681

	Four months ended 30 April 2019			
	Fitting-out works	Construction works	Repair and maintenance works	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Source of contracts				
Main contractor	25,122	795	25	25,942
Subcontractor	132,894	–	4	132,898
Total	158,016	795	29	158,840

9. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the management of the Group, in order for the CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

(a) Fitting-out works;

(b) Construction works; and

(c) Repair and maintenance works.

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and profit

The following is an analysis of the Group's revenue and results by operating segment:

For the year ended 31 December 2016

	Fitting-out works	Construction works	Repair and maintenance works	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Segment revenue – external	166,803	7,696	717	175,216
Segment results	50,781	2,158	320	53,259
Corporate expenses				(21,472)
Other income, net gains or (losses)				327
Finance costs				(2,588)
Profit before taxation				29,526

For the year ended 31 December 2017

	Fitting-out works	Construction works	Repair and maintenance works	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Segment revenue – external	297,318	24,696	710	322,724
Segment results	71,378	6,689	517	78,584
Corporate expenses				(17,482)
Other income, net gains or (losses)				342
Finance costs				(5,042)
Profit before taxation				56,402

For the year ended 31 December 2018

	Fitting-out works *MOP'000*	Construction works *MOP'000*	Repair and maintenance works *MOP'000*	Total *MOP'000*
Segment revenue – external	392,700	5,662	1,723	400,085
Segment results	77,588	1,103	925	79,616
Corporate expenses				(24,069)
Other income, net gains or (losses)				2,981
Finance costs				(2,955)
Profit before taxation				55,573

For the four months ended 30 April 2018 (unaudited)

	Fitting-out works *MOP'000*	Construction works *MOP'000*	Repair and maintenance works *MOP'000*	Total *MOP'000*
Segment revenue – external	104,379	–	302	104,681
Segment results	26,703	–	103	26,806
Corporate expenses				(7,259)
Other income, net gains or (losses)				79
Finance costs				(1,020)
Profit before taxation				18,606

For the four months ended 30 April 2019

	Fitting-out works *MOP'000*	Construction works *MOP'000*	Repair and maintenance works *MOP'000*	Total *MOP'000*
Segment revenue – external	158,016	795	29	158,840
Segment results	33,656	97	21	33,774
Corporate expenses				(6,315)
Other income, net gains or (losses)				805
Finance costs				(911)
Profit before taxation				27,353

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results mainly represented profit earned by each segment, excluding income and expenses of the corporate function, which include certain other income, net gains and (losses), certain administrative and other expenses, [**REDACTED**] expenses and finance costs.

Geographical information

The Group's operations are solely located in Macau.

Information about major customers

Revenue from customers of the corresponding year/period contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* *(unaudited)*	*MOP'000*
Customer A	39,613	57,498	N/A(b)	N/A(b)	N/A(b)
Customer D	N/A(b)	40,262	N/A(b)	13,787	N/A(b)
Shing Lung Construction and Engineering Company Limited	46,137	34,446	N/A(b)	N/A(b)	15,676
Ming Shun Construction and Property Investment Limited	N/A(b)	74,803	206,390	82,099	N/A(b)
Tek Pou Engineering Company Limited	N/A(b)	45,515	N/A(b)	N/A(b)	N/A(b)
Zhuo Cheng Construction and Property Limited	N/A(b)	N/A(b)	95,889	N/A(b)	N/A(b)
明傑建築有限公司	N/A(b)	N/A(b)	N/A(b)	N/A(b)	98,660

Notes:

(a) The revenue was from contract revenue from construction works and management services income.

(b) Revenue from the customers is less than 10% of the total revenue.

(c) No single customers in respect of repair and maintenance services contributed 10% or more to the Group's revenue for the Track Record Period.

10. OTHER INCOME

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* *(unaudited)*	*MOP'000*
Interest income	332	335	423	79	140
Insurance compensation	–	–	2,429	–	657
Others	8	7	–*	–	8
	340	342	2,852	79	805

* The balance represents amount less than MOP1,000.

11. OTHER NET (LOSSES)/GAINS

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* *(unaudited)*	*MOP'000*
Net exchange loss	(4)	–	–*	–	–
Loss on dissolution of a joint venture company	(9)	–	–	–	–
Gain on disposal of plant and equipment	–	–	129	–	–
	(13)	–	129	–	–

* The balance represents amount less than MOP1,000.

12. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period is arrived at after charging/(crediting):

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* *(unaudited)*	*MOP'000*
(a) Finance costs					
Interest on lease liabilities	–	–	81	30	13
Interest on bank borrowings	2,333	3,227	2,361	808	204
Bank overdraft interest	255	1,815	513	182	694
	2,588	5,042	2,955	1,020	911
(b) Staff costs (including directors' remuneration)					
Contributions to defined contribution retirement plans	326	182	158	41	36
Salaries and wages					
– Directors' remuneration	1,543	1,557	1,567	482	482
– Salaries recognised as expenses	11,213	10,107	12,167	3,664	3,646
– Wages recognised as contract costs	3,345	6,410	3,615	852	451
Other staff costs	23	–	1	–	–
	16,450	18,256	17,508	5,039	4,615

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* *(unaudited)*	*MOP'000*
(c) Other items					
Depreciation for plant and equipment	203	189	111	60	19
Depreciation for right-of-use assets	–	–	899	278	310
Minimum operating lease payments	862	582	3	3	–*
Loss on dissolution of a joint venture company	9	–	–	–	–
Gain on disposal of plant and equipment	–	–	(129)	–	–
Net foreign exchange (gains)/losses	4	–	–*	–	–
Auditor's remuneration *(Note)*	–	–	–	–	206
Amortisation of intangible assets	1,570	1,427	–	–	–
[**REDACTED**] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cost of services	121,957	244,140	320,469	77,875	125,066

Note: No auditor's remuneration was incurred for the years ended 31 December 2016, 2017 and 2018. The auditor's remuneration for the four months ended 30 April 2019 was the proportional provision of auditor's remuneration of the Group for the year ended 31 December 2019 as the companies comprising the Group are not subject to statutory audit requirements under the relevant rules and regulations in their respective jurisdictions of incorporation.

* The balance represents amount less than MOP1,000.

13. INCOME TAX EXPENSE

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* *(unaudited)*	*MOP'000*
The income tax expense comprises:					
Macau Complementary Tax – current year	4,160	6,725	7,131	2,683	3,613

During the Track Record Period, all of our Group's revenue was derived in Macau. Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding MOP600,000, during the Track Record Period.

The income tax expense for the year/period can be reconciled to the profit before taxation in the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* *(unaudited)*	*MOP'000*
Profit before taxation	29,526	56,402	55,573	18,606	27,353
Tax at the tax rate of 12%	3,543	6,768	6,696	2,290	3,345
Tax effect of utilisation of tax losses not previously recognised	–	(307)	(66)	–	–
Tax effect of expenses not deductible for tax purpose	455	340	801	192	82
Tax effect of tax loss not recognised	378	–	192	201	156
Tax effect of tax exemption under Macau Complementary Income Tax	(216)	(216)	(216)	–	–
Others	–	140	(276)	–	30
Income tax expense for the year/period	4,160	6,725	7,131	2,683	3,613

14. DIVIDEND

During the year ended 31 December 2017, total dividend of MOP50,000,000 was recognised as distribution by AD&C and Q.F. Stone to their then shareholders, which are also the Controlling Shareholders.

For the year ended 31 December 2018, AD&C, Huarchi Global and Q.F. Stone declared and paid total dividends of MOP80,000,000 to their then shareholders which are also the Controlling Shareholders.

Other than the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period.

The rates of dividend and the number of shares ranking for distribution are not present as such information is not meaningful having regard to the purpose of this report.

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments and chief executive's emoluments

Executive directors

Details of the emoluments paid or payable by the Group to the directors of the subsidiaries who were appointed as the directors of the Company during the Track Record Period for their services rendered are as follows:

Year ended 31 December 2016

Name of directors	Fees	Salaries and other allowance	Discretionary bonus	Retirement benefit scheme contributions	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Mr. Lou	–	360	30	–*	390
Mr. Ao	–	345	28	–*	373
Mr. Chang	–	360	30	–*	390
Mr. Leong	–	360	30	–*	390
	–	1,425	118	–*	1,543

Year ended 31 December 2017

Name of directors	Fees	Salaries and other allowance	Discretionary bonus	Retirement benefit scheme contributions	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Mr. Lou	–	360	30	1	391
Mr. Ao	–	353	30	1	384
Mr. Chang	–	360	30	1	391
Mr. Leong	–	360	30	1	391
	–	1,433	120	4	1,557

Year ended 31 December 2018

Name of directors	Fees	Salaries and other allowance	Discretionary bonus	Retirement benefit scheme contributions	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Mr. Lou	–	360	30	2	392
Mr. Ao	–	360	30	1	391
Mr. Chang	–	360	30	2	392
Mr. Leong	–	360	30	2	392
	–	1,440	120	7	1,567

Four months ended 30 April 2018 (unaudited)

Name of directors	Fees	Salaries and other allowance	Discretionary bonus	Retirement benefit scheme contributions	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Mr. Lou	–	120	–	–*	120
Mr. Ao	–	120	–	–*	120
Mr. Chang	–	120	–	1	121
Mr. Leong	–	120	–	1	121
	–	480	–	2	482

Four months ended 30 April 2019

Name of directors	Fees	Salaries and other allowance	Discretionary bonus	Retirement benefit scheme contributions	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Mr. Lou	–	120	–	–*	120
Mr. Ao	–	120	–	–*	120
Mr. Chang	–	120	–	1	121
Mr. Leong	–	120	–	1	121
	–	480	–	2	482

* The balances represent amount less than MOP1,000.

The discretionary bonus is determined based on performance of individual and the Group.

The emoluments of the above directors include those services rendered by them to the companies now comprising the Group during the Track Record Period.

(b) Employees' emoluments

The five highest paid individuals of the Group during the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 include nil, nil, nil and nil directors, respectively, details of whose emoluments are set out in Note 15(a) above. Details of the emoluments of the remaining 5, 5, 5 and 5 individuals for the years ended 31 December 2016 and 2017 and 2018 and 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**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* *(unaudited)*	*MOP'000*
Salaries and other allowance	2,072	2,089	2,035	739	794
Discretionary bonus	174	173	185	–	–
Retirement benefit scheme contributions	4	12	10	4	3
	2,250	2,274	2,230	743	797

The emoluments of the remaining highest paid employees were within the following bands:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	No. of individuals	*No. of individuals*	*No. of individuals*	*No. of individuals*	*No. of individuals*
Nil to MOP1,000,000	5	5	5	5	5
MOP1,000,001 to MOP1,500,000	–	–	–	–	–

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company or chief executive or five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

16. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the Reorganisation.

17. PLANT AND EQUIPMENT

	Motor vehicles	Plant and machinery	Furniture and fixtures	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Cost				
At 1 January 2016	–	–	30	30
Acquisition of subsidiaries	315	98	113	526
At 31 December 2016 and 31 December 2017	315	98	143	556
Additions	–	–	111	111
Disposal	(315)	–	–	(315)
At 31 December 2018	–	98	254	352
Additions	–	352	–	352
At 30 April 2019	–	450	254	704
Accumulated Depreciation				
At 1 January 2016	–	–	23	23
Charge for the year	126	21	56	203
At 31 December 2016	126	21	79	226
Charge for the year	126	21	42	189
At 31 December 2017	252	42	121	415
Charge for the year	52	21	38	111
Disposal	(304)	–	–	(304)
At 31 December 2018	–	63	159	222
Charge for the period	–	12	7	19
At 30 April 2019	–	75	166	241
Carrying Values				
At 31 December 2016	189	77	64	330
At 31 December 2017	63	56	22	141
At 31 December 2018	–	35	95	130
At 30 April 2019	–	375	88	463

18. RIGHT-OF-USE ASSETS

	Right-of-use assets
	MOP'000
Cost	
At 1 January 2016, 31 December 2016 and 2017	–
Additions	1,862
At 31 December 2018	1,862
Additions	–
At 30 April 2019	1,862
Accumulated Depreciation	
At 1 January 2016, 31 December 2016 and 2017	–
Charge for the year	899
At 31 December 2018	899
Charge for the period	310
At 30 April 2019	1,209
Carrying Values	
At 31 December 2016	–
At 31 December 2017	–
At 31 December 2018	963
At 30 April 2019	653

The right-of-use assets are depreciated over their estimated useful lives, using straight-line method, over the lease term per annum.

19. INTANGIBLE ASSETS

	Fitting-out contracts
	MOP'000
Cost	
At 1 January 2016	–
Arising on the acquisition of subsidiaries	2,997
At 31 December 2016, 2017 and 2018 and 30 April 2019	2,997
Amortisation	
At 1 January 2016	–
Charge for the year	1,570
At 31 December 2016	1,570
Charge for the year	1,427
At 31 December 2017 and 2018 and 30 April 2019	2,997
Carrying values	
At 31 December 2016	1,427
At 31 December 2017	–
At 31 December 2018	–
At 30 April 2019	–

Note: The intangible assets being the fair value of construction contracts on hand as at the date of the acquisition of subsidiaries (Note 29). The amortisation period was 2 years based on the expected completion date of these construction contracts.

20. TRADE AND OTHER RECEIVABLES

		At 31 December		**At 30 April**
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Trade receivables	21,561	69,532	77,170	72,564
Retention receivables	11,886	22,208	50,544	52,576
	33,447	91,740	127,714	125,140
Deferred [**REDACTED**]	741	1,163	3,032	3,226
Other receivables, prepayments and deposits	15,815	23,508	23,049	30,665
Total trade and other receivables	50,003	116,411	153,795	159,031

Trade receivables

The Group allows an average credit period of 0-90 days to its customers. The following is an aged analysis of trade receivables presented based on invoice dates at the end of each reporting period, net of allowance for impairment.

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
0 – 30 days	19,439	43,768	46,229	40,251
31 – 60 days	1,064	11,106	16,600	22,900
61 – 90 days	119	1,034	8,372	2,091
Over 90 days	939	13,624	5,969	7,322
	21,561	69,532	77,170	72,564

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly.

As at 31 December 2016 and 2017 included in the Group's trade receivables balances were receivables with aggregate carrying amount of approximately MOP1,103,000 and MOP20,419,000 respectively, which were past due at the end of each reporting period for which the Group had not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts were still considered recoverable. Accordingly, the directors of the Company believe that no impairment loss was required. The Group does not hold any collateral over these balances.

The aging analysis of trade receivables as at 31 December 2016 and 2017 that are neither individually nor collectively considered to be impaired under HKAS 39 are as follows:

	At 31 December	
	2016	**2017**
	MOP'000	*MOP'000*
Overdue		
1 – 30 days	214	9,528
31 – 60 days	10	7,920
61 – 90 days	247	–
Over 90 days	632	2,971
	1,103	20,419

Retention receivables

Retention receivables are unsecured, interest-free and recoverable at the end of the defects liability period of individual contracts, ranging from 1 year to 5 years from the date of the completion of the respective projects.

The following is an aged analysis of retention receivables which are to be settled, based on the expiry of the defects liability period, at the end of each reporting period.

	At 31 December			At 30 April
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
On demand or within one year	4,467	7,892	35,746	8,601
After one year	7,419	14,316	14,798	43,975
	11,886	22,208	50,544	52,576

Included in Group's retention receivables balances as at 31 December 2016, 2017 and 2018 and 30 April 2019 were receivables with aggregate carrying amount of approximately MOP608,000, MOP2,819,000, MOP6,126,000, and MOP933,000 respectively, which were past due at the end of each reporting period for which the Group had not provided for impairment loss. The Group does not hold any collateral over these balances.

Upon the application of HKFRS 9 on 1 January 2018, the Group applies simplified approach to provide for ECL prescribed by HKFRS 9. The Group assessed the ECL for trade and retention receivables individually as at 1 January 2018 (date of initial adoption of HKFRS 9) and 31 December 2018 and 30 April 2019. No impairment allowance for trade and retention receivables were provided since the loss given default and exposure at default are low based on historical credit loss experience. The management of the Group has also assessed all available forward looking information, including but not limited to expected growth rate of the industry and expected subsequent settlement, and concluded that there is no significant increase in credit risk and the expected credit loss rate for the Group's trade and retention receivables is minimal for all bonds of trade and retention receivables.

In determining the recoverability of trade and retention receivables, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of each reporting period.

The Group's trade and retention receivables denominated in the functional currency.

There were no impairment losses recognised for retention receivables during the Track Record Period.

21. AMOUNT(S) DUE FROM/(TO) RELATED PARTIES/DIRECTORS/ULTIMATE HOLDING COMPANY

(a) Amounts due from controlling shareholders:

					Maximum amount outstanding during			
	At 31 December			At 30 April	Year ended 31 December			Four months ended 30 April
	2016	2017	2018	2019	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Mr. Lou	58,074	22,234	2,304	2,304	65,104	76,884	63,020	2,304
Mr. Ao	2,965	904	–	–	5,593	8,422	31,864	–
Mr. Chang	19,148	7,898	–	–	19,148	19,148	28,592	–
Mr. Leong	20,381	1,290	–	–	20,381	20,383	1,290	–
	100,568	32,326	2,304	2,304				

Note:

(i) The amounts due are unsecured, interest free, non-trade in nature and repayable on demand.

(b) Amount due from ultimate holding company:

	At 31 December			At 30 April
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Seong Wa	–	3	–*	–*

The amount due is unsecured, interest free, non-trade in nature and repayable on demand.

* The balances represent amount less than MOP1,000

(c) Amount due from/to a subsidiary:

Amount due from/to a subsidiary disclosed in Company's statements of financial position are unsecured, interest-free, non-trade in nature and repayable on demand.

(d) Related parties transactions:

		Year ended 31 December			Four months ended 30 April
		2016	2017	2018	2019
		MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Mr. Leong	Rental expenses	840	264	–	–
Mr. Chang	Rental expenses/ Payment of lease liabilities	4	264	624	144
Mr. Chang Cheng I *(Note i)*	Rental expenses	18	18	–	–
Ms. Chang So Cheng *(Note i)*	Subcontracting fee	294	–	–	–
East Interest Row Building Materials Company Limited *(Note ii)*	Direct material charges	138	–	–	–
Seong Wa Investment & Development Limited (as defined in Note 21(b))	Design income	60	–	–	–
盤記曾氏建築工程有限公司 *(Note iii)*	Subcontracting charges	145	–	–	–

Notes:

(i) Mr. Chang, one of the Controlling Shareholders and a director of the Company, is a close relative of the related parties.

(ii) Mr. Lou and Mr. Ao, two of the Controlling Shareholders and directors of the Company, are the spouse of the beneficiary owners of the related company. On 23 February 2016, the spouses of Mr. Lou and Mr. Ao had transferred all their shares to independent third parties and resigned from the position of a director of the related company.

(iii) Mr. Chang, one of the Controlling Shareholders and a director of the Company, is a close relative of the beneficiary owners of the related company.

(e) Key management personnel transactions:

All members of key management personnel are directors of the Company and their remuneration is disclosed in Note 15(a).

22. CONTRACT ASSETS AND CONTRACT LIABILITIES

Disclosures of revenue-related items:

	At 1 January 2016	At 31 December 2016	2017	2018	At 30 April 2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Contract assets					
Provision of fitting-out works	9,687	40,734	43,341	21,704	68,383
Provision of construction works	269	8,294	245	1,048	384
	9,956	49,028	43,586	22,752	68,767
Contract liabilities					
Provision of fitting-out works	31,174	12,143	16,014	2,726	17,088
Provision of construction works	–	6,526	570	570	131
	31,174	18,669	16,584	3,296	17,219

As at 31 December 2016, 2017 and 2018 and 30 April 2019, contract liabilities included receipt in advance from customers amounting to approximately MOP13,523,000, MOP14,960,000, MOP2,700,000 and MOP17,204,000 respectively.

There were no impairment losses recognised on any contract assets during the Track Record Period.

Upon the application of HKFRS 9 on 1 January 2018, the Group applies simplified approach to provide for ECL prescribed by HKFRS 9. The Group assessed the ECL for contract assets individually as at 1 January 2018 (date of initial adoption of HKFRS 9) and 31 December 2018 and 30 April 2019. No impairment allowance for contract assets were provided since the loss given default and exposure at default are low based on historical credit loss experience. The management of the Group has also assessed all available forward looking information, including but not limited to expected growth rate of the industry and expected subsequent settlement, and concluded that there is no significant increase in credit risk.

Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction prices allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of each reporting period.

	As at 31 December 2016	2017	2018	At 30 April 2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Provision of fitting-out works	190,908	205,831	153,170	379,520
Provision of construction works	21,188	795	14,000	13,205
	212,096	206,626	167,170	392,725

Based on the information available to the Group at the end of each reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of fitting-out and construction works services as of 31 December 2016, 2017 and 2018 and 30 April 2019 will be recognised as revenue during the years ended/ending 31 December 2017 to 2020.

Movement in contract liabilities balances during the Track Record Period are as follows:

	Year ended 31 December			Four months ended 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Revenue recognised in the year/period that was included in contract liabilities at beginning of the year/period	26,542	18,294	16,014	2,370

23. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Cash at banks	68,641	84,711	49,755	62,495
Cash on hand	30	–	–	–
	68,671	84,711	49,755	62,495
Less: Pledged bank deposits	(51,150)	(31,173)	(34,032)	(51,390)
	17,521	53,538	15,723	11,105

As at 31 December 2016, 2017 and 2018 and 30 April 2019, deposits of approximately MOP51,150,000, MOP31,173,000, MOP34,032,000 and MOP51,390,000 were held at banks as pledge for banking facilities granted to the Group.

The balances represent deposits pledged to secure the banking facilities (including bank loans and overdrafts and issuance of performance bonds). Pledged bank deposits carry interest at variable rates which range from 0.05% to 1.60%, 0.05% to 1.55%, 0.08% to 2.20% and 0.08% to 2.20% per annum as at 31 December 2016, 2017 and 2018 and 30 April 2019 respectively.

(a) Reconciliation of liabilities arising from financing activities

	Amounts due to related companies *MOP'000*	Amount due to NCI *MOP'000*	Bank overdrafts *MOP'000*	Bank and other borrowings *MOP'000*	Lease liabilities *MOP'000*	Total *MOP'000*
At 1 January 2016	508	1,000	15,661	64,143	–	81,312
Changes from financing cash flow:						
Advance from related companies	80,438	–	–	–	–	80,438
Repayment to related companies	(127,484)	–	–	–	–	(127,484)
Changes in bank overdrafts	–	–	15,997	–	–	15,997
Repayments of bank and other borrowings	–	–	–	(11,445)	–	(11,445)
Interest paid	–	–	(255)	(2,333)	–	(2,588)
Total changes from financing cash flow	(47,046)	–	15,742	(13,778)	–	(45,082)
Other changes						
Interest expenses *(Note 12(a))*	–	–	255	2,333	–	2,588
Acquisition of subsidiaries	4,693	–	2,744	3,936	–	11,373
Change in trade and other receivables	41,845	(1,000)	–	–	–	40,845
Total other changes	46,538	(1,000)	2,999	6,269	–	54,806
At 31 December 2016	–	–	34,402	56,634	–	91,036
At 1 January 2017	–	–	34,402	56,634	–	91,036
Changes from financing cash flow:						
Changes in bank overdrafts	–	–	(9,924)	–	–	(9,924)
Proceeds from new bank and other borrowings	–	–	–	5,000	–	5,000
Repayments of bank and other borrowings	–	–	–	(15,960)	–	(15,960)
Interest paid	–	–	(1,815)	(3,227)	–	(5,042)
Total changes from financing cash flow	–	–	(11,739)	(14,187)	–	(25,926)
Other changes						
Interest expenses *(Note 12(a))*	–	–	1,815	3,227	–	5,042
At 31 December 2017	–	–	24,478	45,674	–	70,152

	Amounts due to related companies *MOP'000*	Amount due to NCI *MOP'000*	Bank overdrafts *MOP'000*	Bank and other borrowings *MOP'000*	Lease liabilities *MOP'000*	Total *MOP'000*
At 1 January 2018	–	–	24,478	45,674	–	70,152
Changes from financing cash flow:						
Changes in bank overdrafts	–	–	(14,135)	–	–	(14,135)
Recognition of lease liabilities	–	–	–	–	1,862	1,862
Repayments of lease liabilities	–	–	–	–	(998)	(998)
Repayments of bank and other borrowings	–	–	–	(3,674)	–	(3,674)
Interest paid	–	–	(513)	(2,361)	–	(2,874)
Total changes from financing cash flow	–	–	(14,648)	(6,035)	864	(19,819)
Other changes						
Interest expenses *(Note 12(a))*	–	–	513	2,361	81	2,955
At 31 December 2018	–	–	10,343	42,000	945	53,288
At 1 January 2019	–	–	10,343	42,000	945	53,288
Changes from financing cash flow:						
Changes in bank overdrafts	–	–	117	–	–	117
Repayments of lease liabilities	–	–	–	–	(280)	(280)
Interest paid	–	–	(694)	(204)	–	(898)
Total changes from financing cash flow	–	–	(577)	(204)	(280)	(1,061)
Other changes						
Interest expenses *(Note 12(a))*	–	–	694	204	13	911
At 30 April 2019	–	–	10,460	42,000	678	53,138
At 1 January 2018	–	–	24,478	45,674	–	70,152
Changes from financing cash flow:						
Changes in bank overdrafts	–	–	(8,149)	–	–	(8,149)
Recognition of lease liabilities	–	–	–	–	1,862	1,862
Repayments of lease liabilities	–	–	–	–	(294)	(294)
Repayments of bank and other borrowings	–	–	–	(331)	–	(331)
Interest paid	–	–	(182)	(808)	–	(990)
Total changes from cash flow	–	–	(8,331)	(1,139)	1,568	(7,902)
Other changes						
Interest expenses	–	–	182	808	30	1,020
At 30 April 2018 (unaudited)	–	–	16,329	45,343	1,598	63,270

(b) Major non-cash transactions

(a) During the year ended 31 December 2016, certain subsidiaries of the Company, entered into several assignment agreements with Mr. Lou and the related companies. Pursuant to the agreements, amounts due from related companies of approximately MOP39,955,000 were assigned to Mr. Lou by certain subsidiaries of the Company.

(b) During the year ended 31 December 2017, certain subsidiaries of the Company, entered into several assignment agreements with Mr. Lou, Mr. Ao, the certain related companies and independent third parties. Pursuant to the agreements, other receivables of approximately MOP8,134,000, amount due to Mr. Ao of approximately MOP2,628,000 and amounts due to related companies of approximately MOP38,603,000 were assigned to Mr. Lou by the certain subsidiaries of the Company.

(c) During the year ended 31 December 2017, AD&C and Q.F. Stone declared dividends of MOP45,000,000 and MOP5,000,000, respectively to their then shareholders. The dividends payable was settled through amounts due from controlling shareholders.

(d) During the year ended 31 December 2018, certain subsidiaries of the Company entered into several assignments with Mr. Lou, Mr. Chang, Mr. Leong and a related Company. Pursuant to the agreements, amount due from Mr. Chang and Mr. Leong of approximately MOP3,238,000, amount due from a related Company of MOP4,000,000 and amount due to Mr. Chang of approximately MOP545,000 were assigned to Mr. Lou by the certain subsidiaries of the Company.

24. TRADE AND OTHER PAYABLES

Trade and other payables at the end of the reporting period comprise amounts outstanding for trade purposes and daily operating costs. The average credit period taken for trade purchase is 0 to 35 days.

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Trade payables	31,781	22,022	25,943	3,599
Retention payables *(Note)*	6,411	14,191	25,765	31,861
	38,192	36,213	51,708	35,460
Accrued contract costs	14,547	34,952	22,381	62,425
Accruals and other payables	2,033	8,375	4,294	3,416
Total trade and other payables	54,772	79,540	78,383	101,301

Note: Retention payables are interest-free and payable at the end of the defects liability period of individual contracts, ranging from 1 to 5 years from the completion date of the respective project.

The following is an aged analysis of trade payables presented based on the invoice dates at the end of each reporting period:

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
1 – 30 days	26,666	10,414	3,371	615
31 – 60 days	947	1,285	17,933	1,748
61 – 90 days	131	1,143	1,423	1
Over 90 days	4,037	9,180	3,216	1,235
	31,781	22,022	25,943	3,599

The retention payables are to be settled within 2-5 years based on the expiry of defects liability period, at the end of each reporting period.

The following is an aged analysis of retention payables which are to be settled, based on the expiry of the defects liability period, at the end of each reporting period.

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
On demand or within one year	3,940	5,175	14,921	10,857
After one year	2,471	9,016	10,844	21,004
	6,411	14,191	25,765	31,861

The Group's trade and retention payables denominated in the functional currency.

25. BANK AND OTHER BORROWINGS AND BANK OVERDRAFTS

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Bank borrowings *(Note a)*	55,620	44,902	42,000	42,000
Other borrowings *(Note b)*	1,014	772	–	–
Total bank and other borrowings	56,634	45,674	42,000	42,000
Bank overdrafts	34,402	24,478	10,343	10,460
	91,036	70,152	52,343	52,460
Carrying amounts of the above bank and other borrowings and bank overdrafts repayable *(Note c)*:				
On demand or within one year	89,955	67,514	52,343	52,460
More than one year, but not exceeding two years	481	726	–	–
More than two years, but not more than five years	514	1,912	–	–
More than five years	86	–	–	–
	91,036	70,152	52,343	52,460
Less: Amounts shown under current liabilities *(Note e)*	(91,036)	(70,152)	(52,343)	(52,460)
Amounts shown under non-current liabilities	–	–	–	–

Notes:

(a) The bank borrowings amounted to approximately MOP55,000,000, MOP40,000,000, MOP40,000,000 and MOP40,000,000 as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively, carry interest at Prime Rate per annum. From the aggregate amount, of which, the bank borrowings amounted MOP620,000, MOP310,000, nil and nil, respectively, carry interest at Prime Rate less 0.75% per annum.

The bank borrowings amounted nil, MOP2,592,000, nil and nil, respectively, carry interest at 3 months HIBOR plus 3.7% per annum. The bank borrowings amounted nil, MOP2,000,000, MOP2,000,000 and MOP2,000,000, respectively, carry interest at Prime rate plus 1% per annum. The effective interest rates on the borrowings as at 31 December 2016, 2017, 2018 and 30 April 2019 range from 4.5% to 5.25%, 4.5% to 6.25%, 5.375% to 6.375% and 5.375% to 6.375% per annum, respectively.

(b) The amounts represent three interest-free loans of MOP500,000, MOP600,000 and MOP600,000 from Macau government in March 2011, January 2015 and May 2016, respectively. The loans are repayable half-yearly by 14 instalments and the final instalments will be repayable in September 2017, July 2021 and November 2022, respectively.

(c) The amounts due are presented based on scheduled repayment dates.

(d) The Group's bank borrowings are denominated in the functional currency. These bank borrowings are under banking facilities for drawing loans and issuing performance bonds. The banking facilities are secured by pledged bank deposits as disclosed in Note 23 and promissory notes endorsed by AD&C and S.J. Construction which were guaranteed by the Controlling Shareholders.

(e) All bank and other borrowings contain a repayment on demand clause and are shown under current liabilities.

The aforesaid guarantees on the banking facilities will be released upon [**REDACTED**].

26. LEASE LIABILITIES

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Non-current	–	–	34	–
Current	–	–	911	678
	–	–	945	678

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Minimum lease payments due:–				
Within one year	–	–	937	690
More than one year, but not exceeding two years	–	–	34	–
	–	–	971	690
Less: future finance charges	–	–	(26)	(12)
Present value of lease liabilities	–	–	945	678

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Maturity analysis				
Present value of lease liabilities:–				
Within one year	–	–	911	678
More than one year, but not exceeding two years	–	–	34	–
	–	–	945	678

The Group leased two properties as disclosed in Note 18 to operate for office uses. The lease terms were 2 years. These lease liabilities were measured at the present value of the lease payments that are not yet paid.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The total cash outflow for leases including repayments of lease liabilities and payment of interest expenses for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 are nil, nil, MOP1,079,000 and MOP293,000 respectively.

27. SHARE CAPITAL

The share capital of the Group as at 31 December 2016 represents the paid up capital of AD&C. The share capital of the Group as at 31 December 2017 represents the aggregate amount of the paid up capital of the Company, AD&C, Wah Kee, Wah Luen, Kwan Fung and Sheung Kee. The share capital of the Group as at 31 December 2018 represents the paid up capital of the Company.

On 20 June 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 per Share. On 20 June 2017, 1,000 Shares were allotted and issued at par.

On 22 January 2018, 9,000 Shares were alloted and issued at par to Seong Wa.

Pursuant to the share subscription agreements dated 26 January 2018, the Company alloted and issued 1,240 shares and 1,240 shares to Ace Hope Investments Limited and Talent Leap Investments Limited respectively at a total consideration of HK$19,200,000 (approximately MOP19,776,000) and was fully and unconditionally settled in cash on 31 January 2018.

28. FINANCIAL INFORMATION OF THE COMPANY

Movement in the reserve of the Company is as follows:

	Share premium *MOP'000*	Accumulated losses *MOP'000*	Total *MOP'000*
At 20 June 2017 (date of incorporation)	–	–	–
Loss for the period	–	–	–
At 31 December 2017	–	–	–
At 1 January 2018	–	–	–
Effect of reorganisation	32	–	32
Issuance of shares	19,776	–	19,776
Loss for the year	–	(225)	(225)
At 31 December 2018	19,808	(225)	19,583
At 1 January 2019	19,808	(225)	19,583
Loss for the period	–	(521)	(521)
At 30 April 2019	19,808	(746)	19,062

29. ACQUISITION OF SUBSIDIARIES

Prior to 22 January 2016, AD&C, Huarchi Global, Q.F. Stone and S.J. Construction were owned by Mr. Lou, Mr. Chang, Mr. Ao, Mr. Leong and Mr. Chan Leong ("**Mr. Chan**") in the composition as follows:

Name of subsidiary	Name of shareholders	Portion of ownership interest
AD&C	Mr. Lou	20%
	Mr. Chang	20%
	Mr. Ao	20%
	Mr. Leong	20%
	Mr. Chan	20%
Huarchi Global	Mr. Lou	34%
	Mr. Chang	32%
	Mr. Leong	34%
Q.F. Stone	Mr. Chang	50%
	Mr. Chan	50%
S.J. Construction	Mr. Lou	50%
	Mr. Ao	50%

For the purpose of streamlining the Group's structure and in preparation for the Reorganisation, Mr. Lou, Mr. Chang, Mr. Ao, Mr. Leong and Mr. Chan entered into various share transfer and subscription for new shares among themselves in AD&C, Huarchi Global, Q.F. Stone and S.J. Construction on 22 January 2016 (the "**Shareholding Alignment**") and as a result, Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong respectively owned 40%, 20%, 20% and 20% interest in each of AD&C, Huarchi Global, Q.F. Stone and S.J. Construction, and Mr. Chan ceased to be a shareholder of any of Macau Operating Subsidiaries.

Since Huarchi Global, Q.F. Stone and S.J. Construction were only controlled by the Controlling Shareholders after the Shareholding Alignment, their operating results and financial positions were only included into the Group after the date of Shareholding Alignment (i.e. 22 January 2016) when Huarchi Global, Q.F. Stone and S.J. Construction were acquired 100% by the Group on 22 January 2016 at a nominal consideration which is equal to approximately MOP9,159,000, being the fair values of the identifiable assets and liabilities of Huarchi Global, Q.F. Stone and S.J. Construction as at 22 January 2016.

The fair values of the identifiable assets and liabilities of the subsidiaries acquired are set out as follows:

	Q.F. Stone	**S.J. Construction**	**Huarchi Global**	**Total**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Plant and equipment	409	12	105	526
Investment in a joint venture company	–	49	–	49
Trade and other receivables	1,368	11	1,596	2,975
Intangible assets	2,780	47	170	2,997
Contract assets	3,758	1,191	2,346	7,295
Amounts due from related companies	788	–	–	788
Amounts due from shareholders	4,264	–	–	4,264
Bank balances and cash	326	5,593	4,096	10,015
Trade and other payables	(3,172)	(667)	(1,281)	(5,120)
Contract liabilities	(675)	(126)	(149)	(950)
Amounts due to related companies	(205)	–	(4,488)	(4,693)
Amounts due to shareholders	(648)	(1,407)	–	(2,055)
Amount due to a joint venture company	–	(40)	–	(40)
Tax payable	(211)	(1)	–	(212)
Bank overdrafts	(607)	(549)	(1,588)	(2,744)
Bank and other borrowings	(514)	(3,422)	–	(3,936)
Total identifiable net assets at fair value	7,661	691	807	9,159
Consideration for the acquisition	(7,661)	(691)	(807)	(9,159)
	–	–	–	–
Revenue for the period since acquisition to 31 December 2016	59,712	2,609	9,176	71,497
Profit for the period since acquisition to 31 December 2016	12,931	(3,150)	1,080	10,861
Cash and bank deposits acquired	326	5,593	4,096	10,015
Net cash inflow in respect of the acquisition	326	5,593	4,096	10,015

If the acquisition had been completed on 1 January 2016, total revenue of the Group for the year ended 31 December 2016 would have been approximately MOP175,216,000, and profit for the year ended 31 December 2016 would have been approximately MOP25,366,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is intended to be a projection of future results.

The fair value of the trade and other receivables of the subsidiaries acquired are approximately MOP2,975,000. The gross amounts due under the contracts are approximately MOP2,975,000, of which nil is expected to be uncollectible.

30. PARTICULARS OF SUBSIDIARIES

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation	Particulars of issued and paid-up capital	Proportion of ownership interest At 31 December 2016	2017	2018	At the date of this report	Principal activities
Directly held							
Kwan Fung	BVI/21 June 2017	1,000 ordinary shares of US$1 each	–	100%	100%	100%	Investment Holding
Wah Luen	BVI/21 June 2017	1,000 ordinary shares of US$1 each	–	100%	100%	100%	Investment Holding
Sheung Kee	BVI/21 June 2017	1,000 ordinary shares of US$1 each	–	100%	100%	100%	Investment Holding
Wah Kee	BVI/21 June 2017	1,000 ordinary shares of US$1 each	–	100%	100%	100%	Investment Holding
Indirectly held							
AD&C *(Note (c))*	Macau/ 11 November 2003	MOP100,000	100%	100%	100%	100%	Construction works, fitting-out works and provision of repair and maintenance works
Q.F. Stone *(Note (c))*	Macau/ 13 February 2008	MOP120,000	100% *(Note (a))*	100%	100%	100%	Construction works, fitting-out works and provision of repair and maintenance works
S.J. Construction *(Notes (c) & (b))*	Macau/ 18 January 2012	MOP120,000	100% *(Note (a))*	100%	100%	100%	Construction works, fitting-out works and provision of repair and maintenance works
Huarchi Global *(Note (d))*	Macau/ 10 June 2014	MOP1,000,000	100% *(Note (a))*	100%	100%	100%	Construction works, fitting-out works and provision of repair and maintenance works

All companies comprising the Group have adopted 31 December as their financial year end date. No statutory audited financial statements have been prepared since their date of incorporation as they are incorporated in a jurisdiction where there is no statutory audit requirements.

Notes:

(a) The respective subsidiaries were acquired by the Group through the acquisition on 22 January 2016.

(b) For the year ended 31 December 2016, F.J.G Engineering & Construction Company Limited, a private limited liability company incorporated in Macau which was owned by S.J. Construction Design Engineering Company Ltd. and an independent-third party in equal quotas prior to its dissolution on 16 March 2016. The corresponding loss on dissolution of a joint venture company was recognised in consolidated statements of profit or loss for the year ended 31 December 2016 and disclosed in Note 11.

(c) The subsidiaries were registered under private companies in Macau.

(d) The subsidiary was registered under a public company by shares (in Chinese "股份有限公司").

31. RETIREMENT BENEFIT PLANS

Eligible employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by Macau government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by Macau government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

32. CONTINGENT LIABILITIES

At 31 December 2016, 2017 and 2018 and 30 April 2019 contingent liabilities not provided for in the Historical Financial Information were as follows:

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Bank guarantees given to potential customers for an invitation to tender	7,662	33,444	29,268	84,999
Performance bonds given to customers for due and proper performance of projects undertaken by the Group's subsidiaries	113,557	92,951	98,714	81,256
	121,219	126,395	127,982	166,255

33. SUBSEQUENT EVENTS

These were no significant subsequent events from 1 May 2019 to the date of this report.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the companies now comprising the Group have been prepared in respect of any period subsequent to 30 April 2019.

The information set forth in this appendix does not form part of the Accountants' Report prepared by Wellink CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this document, 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" in this document and the Accountants' Report set forth in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Paragraph 4.29 of the Listing Rules is set out to illustrate the effect of the [**REDACTED**] on the audited consolidated net tangible assets as at 30 April 2019 as if the [**REDACTED**] had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at 30 April 2019 or any future date following the [**REDACTED**].

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company is based on the audited consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at 30 April 2019 as shown in the Accountants' Report in Appendix I to this document, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 30 April 2019	**Estimated net [REDACTED] from the [REDACTED]**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share**	
	MOP'000	*MOP'000*	*MOP'000*	*MOP*	*HK$*
	(Note 1)	*(Note 2 & 4)*		*(Note 3)*	*(Note 4)*
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	111,066	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	111,066	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

1. The audited consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 30 April 2019 is based on the Group's audited consolidated net assets of approximately MOP111,066,000 as at that date, as shown in the Accountants' Report, the text of which is set out in Appendix I to this document.

2. The estimated net [**REDACTED**] from the [**REDACTED**] are based on [**REDACTED**] Shares at the [**REDACTED**] of HK$[**REDACTED**] per Share or HK$[**REDACTED**] per Share, being the low or high-end of the stated [**REDACTED**] range, after deduction of the [**REDACTED**] fees payable and other [**REDACTED**]-related expenses by the Group of approximately MOP[**REDACTED**] or MOP[**REDACTED**] based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] or HK$[**REDACTED**] per [**REDACTED**] respectively (excluding [**REDACTED**]-related expenses of approximately MOP[**REDACTED**] which have been accounted for in the profit or loss prior to 30 April 2019).

3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue immediately following the completion of the [**REDACTED**]. It does not take into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue Shares and to buy back Shares.

4. The estimated net [**REDACTED**] from the [**REDACTED**] and the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share are converted into Hong Kong dollars at an exchange rate of HK$1 to MOP1.03. No representation is made that HK$ amount have been, could have been or may be converted into MOP, or vice versa, at that rate.

5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2019.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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 Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 June 2017 under 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 provides, *inter alia*, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since 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) By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 24 October 2019 which will be effective on the [**REDACTED**]. A summary of certain provisions of the Articles is set out below.

(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 any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

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 an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of our Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which our Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to our Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided 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 register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of our Company to purchase its own shares

Our Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit 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) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one 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 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of our Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of our Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining our Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of our Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. Our Directors to retire in each year shall be those who have been in office longest 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 shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of our Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of our Company before the expiration of his term 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 our Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resigns;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of our Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also 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 shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of our Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and our Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) 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 shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the Board shall be 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 whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall 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

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries, the Board may 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, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, debenture stock, 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

Our Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among our Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. Our Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of our Company or companies with which our Company is associated in business, or may make 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 former Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present 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 our Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective close associates, or, if any one or more of our Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with our Company or any of its subsidiaries

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of 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 or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with our Company, 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 for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to our Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to our Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;

(bb) 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 our Director or his close associate(s) has/have 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 proposal concerning an offer of shares, 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 our Director or his close associate(s) is/are or is/are to be interested as a participant in the [**REDACTED**] or sub-[**REDACTED**] of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which our Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which our Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of our Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and our Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of our Company may only be altered or amended, and the name of our Company may only be changed, with the sanction of a special resolution of our Company.

(d) Meetings of member

(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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is 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 members which 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.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of our Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) 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 share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in our Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of our Company, such person or persons may be authorised 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 in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where our Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

Our Company must hold an annual general meeting each year other than the year of our Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members 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 the Board or the secretary of our Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of our Company shall be called by at least 21 days' notice in writing, and any other general meeting of our Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify our Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by our Company to any member by electronic means.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of our Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in our Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) 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, and continues to be present until the conclusion of the meeting.

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.

(vii) 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 shall be 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 shall be 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 if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and of the assets and liabilities of our Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting.

The Board shall from time to time cause to be prepared and laid before our Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of our Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), our Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

Our Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by our Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

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 of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where the Board or our Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) 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 members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, our Company may by ordinary resolution in respect of any one particular dividend of our Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' 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 monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, 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.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of our Company is listed on the Stock Exchange, any member may inspect any register of members of our Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarised in paragraph headed "3. Cayman Islands company law – (f) Protection of minorities and shareholders' suits" in this Appendix.

(i) 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, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if our Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If our Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction 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 consist of property of one kind or 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 so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise 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 the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

Our Company was incorporated in the Cayman Islands as an exempted company on 20 June 2017 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as our Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also 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

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or 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 arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, 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.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so 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 are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. 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 member and, for the avoidance of doubt, 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; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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. In addition, 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.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, 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, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of our Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has 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 the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member 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.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

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.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to our Company or its operations; and

(ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:

(aa) on or in respect of the shares, debentures or other obligations of our Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for our Company is for a period of 20 years from 7 July 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in 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 member, 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 (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, our Company is required to maintain at its registered office a register of directors, alternate 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 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a 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 the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall 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.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member 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 members.

(s) 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, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, our Company's legal adviser on Cayman Islands law, has sent to our Company a letter of advice which summarises certain aspects of the 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 "B. Documents available for inspection" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 20 June 2017. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 16 May 2018 and our principal place of business in Hong Kong is at 905B, 9/F., Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong. Mr. Wong Yat Chung (our chief financial officer and company secretary) has been appointed as the authorised representatives of our Company under the Companies Ordinance for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant the Companies Law and certain provisions of the Articles of Association are set out in Appendix III to this document.

2. Changes in share capital of our Company

Immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options to be granted under the Share Option Scheme), the authorised share capital of our Company will be HK$100,000,000 divided into 10,000,000,000 Shares, of which [**REDACTED**] Shares will be issued fully paid or credited as fully paid, and [**REDACTED**] Shares will remain unissued. Other than pursuant to the Issue Mandate, the exercise of the [**REDACTED**] or any options to be granted under the Share Option Scheme, we do not have any present intention to issue any of the authorised (but unissued) share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure – Corporate History" in this document and the paragraph headed "A. Further information about our Company – 3. Written resolutions of our Shareholders" below in this Appendix, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our Shareholders

By the written resolutions of our Shareholders passed on 24 October 2019:

(a) our Company approved and adopted the Memorandum and the Articles effective on the [**REDACTED**];

(b) the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each by the creation of an additional of 9,962,000,000 Shares of HK$0.01 each, each ranking *pari passu* with the Shares then in issue in all respects (the "**Increase in Authorised Share Capital**");

(c) conditional on the Listing Committee granting the [**REDACTED**] of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this document including any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options to be granted under the Share Option Scheme, and on the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before the date falling 30 days after the date of this document:

(i) the [**REDACTED**] and the [**REDACTED**] were approved and our Directors were authorised to allot and issue the [**REDACTED**] pursuant to the [**REDACTED**] and such number of Shares which may be allotted and issued pursuant to the [**REDACTED**], in each case to rank *pari passu* with the then existing Shares in all respects;

(ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options to be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

(iii) following the Increase in Authorised Share Capital and conditional further on the share premium account of our Company being credited as a result of the [**REDACTED**], our Directors were authorised to capitalise an amount of HK$[**REDACTED**] standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par a total of [**REDACTED**] Shares for allotment and issue to the persons whose names appear on the principal register of members of our Company in the Cayman Islands at the close of business on 24 October 2019 in proportion (as nearly as possible without involving fractions) to the then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions;

(d) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options to be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted in lieu of the whole or part of a dividend on the Shares in accordance with the Memorandum and Articles or pursuant to a specific authority granted by our Shareholders or pursuant to the [**REDACTED**], such number of Shares not exceeding 20% of the total Shares of our Company in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] but excluding any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options to be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held;

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

(e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will not exceed 10% of the total Shares of our Company in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] but excluding any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options to be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held;

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

(f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the Shares of our Company which may be allotted or agreed to be allotted or issued by our Directors pursuant to the general mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of total Shares of our Company in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] but excluding any Shares which may be allotted and issued pursuant to the exercise of any options to be granted under the Share Option Scheme.

4. Corporate reorganisation

For details of the Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this document.

5. Changes in share capital of subsidiaries

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure – Corporate History" in this document, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

6. Repurchase of the Shares by our Company

This section includes information required by the Stock Exchange to be included in the document concerning the repurchase of the Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

The Repurchase Mandate was approved by the written resolutions of our Shareholders on 24 October 2019, details of which please refer to the paragraph headed "A. Further information about our Company – 3. Written resolutions of our Shareholders" above in this Appendix.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of our subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have the Repurchase Mandate. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of [**REDACTED**] Shares in issue after completion of the [**REDACTED**] and the [**REDACTED**], could accordingly result in up to [**REDACTED**] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

Under the Listing Rules, any shares repurchased shall be automatically cancelled.

(d) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised 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 Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) the Deed of Indemnity;

(b) the Deed of Non-competition; and

(c) the [**REDACTED**].

2. Intellectual property rights

Trademarks

As at the Latest Practicable Date, our Group is the owner of the following registered trademarks:

Trademark	Place of Registration	Registration Numbers	Class	Expiry Date	Registered Owner
華記環球	Hong Kong	303983581	6, 19, 20, 35, 37, 42, 44	4 December 2026	Huarchi Global
HUARCHI GLOBAL	Hong Kong	303983608	6, 19, 20, 35, 37, 42, 44	4 December 2026	Huarchi Global
	Hong Kong	303983590	6, 19, 20, 35, 37, 42, 44	4 December 2026	Huarchi Global
華記環球 HUARCHI GLOBAL	Macau	N/090911	37	12 March 2022	Huarchi Global
	Macau	N/090912	37	12 March 2022	Huarchi Global

Trademark	Place of Registration	Registration Numbers	Class	Expiry Date	Registered Owner
	Macau	N/108438, N/108439, N/108440, N/108441, N/108442, N/108443	20, 42, 35, 19, 6, 44	13 July 2023	Huarchi Global
華記環球	Macau	N/117524, N/117525, N/117526, N/117527, N/117528, N/117529	6, 20, 35, 19, 42, 44	26 April 2024	Huarchi Global
HUARCHI GLOBAL	Macau	N/117530, N/117531, N/117532, N/117533, N/117534, N/117535	6, 19, 42, 20, 35, 44	26 April 2024	Huarchi Global

Domain name

Our Group has registered the following major domain name:

Domain Name	Registration Date	Expiry Date
www.huarchi.com	6 March 2018	16 March 2020

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options to be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, 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 any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to notify to our Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, in each case once the Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in the Shares

Name of Director	Nature of interest	No. of Shares held or interested	Approximate percentage of shareholding
Mr. Lou	Interest in controlled corporation/interest held jointly with another person *(Note)*	[**REDACTED**]	[**REDACTED**]%
Mr. Chang	Interest in controlled corporation/interest held jointly with another person *(Note)*	[**REDACTED**]	[**REDACTED**]%
Mr. Ao	Interest in controlled corporation/interest held jointly with another person *(Note)*	[**REDACTED**]	[**REDACTED**]%
Mr. Leong	Interest in controlled corporation/interest held jointly with another person *(Note)*	[**REDACTED**]	[**REDACTED**]%

Note: Immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options to be granted under the Share Option Scheme), Seong Wa will be the legal and beneficial owner holding approximately [**REDACTED**]% shareholding interest in our Company. Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong will together be deemed as a group of the Controlling Shareholders by the Stock Exchange under the Listing Rules. They are deemed to be interested in the Shares held by Seong Wa.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Nature of interest	Percentage of shareholding in associated corporations
Mr. Lou	Beneficial owner	40% in Seong Wa
Mr. Chang	Beneficial owner	20% in Seong Wa
Mr. Ao	Beneficial owner	20% in Seong Wa
Mr. Leong	Beneficial owner	20% in Seong Wa

(b) Interests of Substantial Shareholders and other Shareholders in the Shares and Underlying Shares

So far as is known to our Directors, and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or the options to be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following completion of the [**REDACTED**] and the [**REDACTED**], have interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, 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:

Long position in the Shares

Name	Nature of interest	No. of Shares held or interested	Approximate percentage of shareholding
Seong Wa	Beneficial owner	[**REDACTED**]	[**REDACTED**]%
Ace Hope	Beneficial owner	[**REDACTED**]	[**REDACTED**]%
Ms. Chen Qingling	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%
Talent Leap	Beneficial owner	[**REDACTED**]	[**REDACTED**]%
Ms. Wong Yat Tze	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%

2. Particulars of service contracts and letters of appointment

Each of our executive Directors has entered into a service contract with our Company. The terms and conditions of each of such service contracts are similar in all material respects. The service contracts are initially for a fixed term of three years commencing from the [**REDACTED**] and will continue thereafter until terminated by not less than three-months written notice to the other party. Each of our executive Directors is entitled to the respective basic salary set out below. An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of our Directors regarding the amount of the monthly salary and the discretionary bonus payable to him. The current basic annual salaries of our executive Directors are as follows:

Name of Director	**Amount** *(MOP)*
Mr. Lou	360,000
Mr. Chang	360,000
Mr. Ao	360,000
Mr. Leong	360,000

Each of our independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letter of appointment are similar in all material respects. Each of them is appointed with an initial term of three years commencing from the [**REDACTED**] subject to termination in certain circumstances as stipulated in the relevant letter of appointments. The annual remuneration payable to each of our independent non-executive Directors is HK$240,000.

Save as disclosed above, no Director has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Fees or commission received

None of our Directors or the experts named in the paragraph headed "E. Other information – 6. Qualifications of experts" in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this document.

4. Related party transactions

Details of the related party transactions are set out under Note 20 to the Accountants' Report.

5. Disclaimers

(a) save as disclosed in the paragraph headed "C. Further information about Substantial Shareholders, Directors and experts – 2. Particulars of service contracts and letters of appointment" in this Appendix, there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

(b) none of our Directors or the experts named in the paragraph headed "E. Other information – 6. Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors or the experts named in the paragraph headed "E. Other information – 6. Qualifications of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(d) save as disclosed in the section headed "Substantial Shareholders" in this document and the paragraph headed "C. Further information about Substantial Shareholders, Directors and experts – 1. Disclosure of interests" in this Appendix and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or the options to be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [**REDACTED**] and the [**REDACTED**], have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, 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;

(e) save as disclosed in the paragraph headed "C. Further information about Substantial Shareholders, Directors and experts – 1. Disclosure of interests" in this Appendix, none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of the SFO) which, once the Shares are [**REDACTED**] on the Stock Exchange, 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 any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange; and

(f) none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers or subcontractors of our Group.

D. SHARE OPTION SCHEME

1. Definitions

"Adoption Date"	24 October 2019 (the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolution);
"Scheme Period"	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

2. Summary of terms

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, invite any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.

(v) Maximum number of Shares

(aa) subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the [**REDACTED**]. Therefore, it is expected that our Company may grant options in respect of up to [**REDACTED**] Shares to the participants under the Share Option Scheme.

(bb) the 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.

(cc) our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, and such other information required under the Listing Rules.

(dd) the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in such 30% limit being exceeded.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to certain connected persons

(aa) Any grant of an option to a Director, chief executive or Substantial Shareholder of our Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

(bb) Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

i. representing in aggregate over 0.1% of the Shares in issue; and

ii. 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 options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) ***Restrictions on the time of grant of options***

No option shall be granted after inside information has come to the knowledge of our Company until our Company has announced the information. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

i. the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

ii. the deadline for our Company to publish an announcement of the results for any year, or half-year, quarterly or other interim period (whether or not required under the Listing Rules).

The Board may not make any offer to an Eligible Participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, the supplemental guideline of 5 September 2005 issued by the Stock Exchange and, any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a [**REDACTED**]), provided that any alteration shall give a grantee the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) ***Rights on a general offer***

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) ***Rights on winding-up***

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) ***Rights on compromise or arrangement***

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement ("Suspension Date"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of its officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

(aa) the expiry of the period referred to in paragraph (ix) above and paragraph (xxii) below;

(bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);

(cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;

(dd) in the event that the grantee is an employee of our Group when an offer is made to him/her and he/she subsequently ceases to be an employee of our Group on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, the date of cessation of his/her employment with our Group. A resolution of the Board or the board of directors of the relevant member of our Group to the effect that employment of a grantee has or has not been terminated on one or more of the grounds specified in this clause shall be conclusive and binding on the grantee;

(ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;

(ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or

(gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

(aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the definition of "Participant" and "Grantee" and "Option Period" and the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the sanction of our Shareholders in general meeting.

(bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(xxiv) ***Termination to the Share Option Scheme***

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) ***Conditions of the Share Option Scheme***

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the [**REDACTED**] of, and permission to deal in the Shares may be issued due to the exercise of any options which may be granted under the Share Option Scheme and commencement of dealings in the Shares on the Stock Exchange.

3. Present status of the Share Option Scheme

The Share Option Scheme complies with Chapter 17 of the Listing Rules. Application has been made to the Stock Exchange for [**REDACTED**] of and permission to deal in [**REDACTED**] Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this document, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Each of the Controlling Shareholders (the "**Indemnifiers**") have, under the Deed of Indemnity referred to in the paragraph headed "B. Further information about our business – 1. Summary of material contracts" in this Appendix, given joint and several indemnities to our Company (for itself and as trustee for each member of our Group) in connection with, among other things, (a) any tax liability which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which the [**REDACTED**] becomes unconditional; or (ii) in respect of or in consequence of any acts, omissions, matters, things, events or transactions entered into or occur on or before the date on which the [**REDACTED**] becomes unconditional; and (b) any depletion in or reduction in value of assets, increase in liabilities, losses, claims, actions, proceedings, demands, orders, notices, liabilities, damages, costs, expenses, interest, fines, penalties, payment and of whatever nature suffered or incurred by any member of our Group in relation to events occurred on or before the date on which the [**REDACTED**] becomes unconditional.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:

(i) specific provision or reserve or allowance has been made for such taxation or taxation claim liability in the audited accounts of our Company for the Track Record Period; or

(ii) the taxation liability or taxation claim arises in the ordinary course of business or is increased as a result only of a retrospective change in law rules and regulations or the interpretation or practice thereof by tax authorities or a retrospective increase in tax rates coming into force after the date on which the [**REDACTED**] becomes unconditional; or

(iii) the taxation liability arises in the ordinary course of business of our Group after 30 April 2019 up to and including the date on which the [**REDACTED**] becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

As at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Independence and fees of the Sponsor

The Sponsor has, on behalf of our Company, made an application to the Stock Exchange for the [**REDACTED**] of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and the Shares falling to be issued pursuant to the exercise of any options to be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

The fees payable by our Company in respect of the service of Ample Capital Limited as the sponsor for the [**REDACTED**] are HK$5.5 million.

4. Preliminary expenses

The preliminary expenses in relation to our incorporation were approximately HK$0.1 million and have been paid by our Group.

5. Promoter

There is no promoter of our Company.

No cash, securities or other benefit has been paid, allotted or given, nor are any proposed to be paid, allotted or given, to any promoter in connection with the [**REDACTED**] within the two years immediately preceding the issue of this document.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	**Qualification**
Ample Capital Limited	A licensed corporation under the SFO to engage in Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities as defined under the SFO
Wellink CPA Limited	Certified Public Accountants
Rato Ling Lei & Cortes – Advogados	Legal adviser to our Company as to Macau laws
Appleby	Legal adviser to our Company as to Cayman Islands laws
Frost & Sullivan Limited	Industry consultant
The Concord Consulting Service Limited	Tax adviser

7. Consents of experts

Each of the above named experts has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

9. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or other parties involved in the [**REDACTED**] accepts 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.

10. No material adverse change

Save as disclosed in the section headed "Financial Information – [**REDACTED**] expenses" in this document, our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 30 April 2019 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the Latest Practicable Date.

11. Miscellaneous

(a) Within the two years immediately preceding the date of this document:

   (i) save as disclosed in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this document, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) save as disclosed in the section "[**REDACTED**]" in this document, no discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and

(iii) save as disclosed in the paragraph headed "D. Share Option Scheme" in this Appendix, 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.

(b) Neither our Company nor any of its subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

(c) Save in connection with the [**REDACTED**], none of the parties listed in the paragraph headed "E. Other information – 6. Qualifications of experts" in this Appendix:

(i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.

(d) The branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure the Shares to be admitted into CCASS for clearing and settlement.

(e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) Our Group has no outstanding convertible debt securities.

(h) There is no arrangement under which future dividend declared by our Company have been waived or agreed to be waived.

(i) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with our English name does not contravene Cayman Islands laws.

(j) The English text of this document shall prevail over the Chinese text in case of any discrepancy of meaning.

12. Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the [**REDACTED**] and [**REDACTED**]; (ii) copies of the material contracts referred to in the paragraph headed "B. Further information about our business – 1. Summary of material contracts" in Appendix IV to this document; and (iii) the written consents referred to in the paragraph headed "E. Other information – 7. Consents of experts" in Appendix IV to this document.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Christine M. Koo & Ip, Solicitors & Notaries LLP of Room 1101, 11/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document:

(i) the Memorandum of Association and the Articles of Association;

(ii) the Companies Law;

(iii) the Accountants' Report prepared by Wellink CPA Limited, the text of which is set out in Appendix I to this document;

(iv) the audited consolidated financial statements of our Group for each of the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019;

(v) the report on unaudited pro forma financial information of our Group issued by Wellink CPA Limited, the text of which is set out in Appendix II to this document;

(vi) the legal opinion issued by Rato Ling Lei & Cortes on Macau laws relating to the operation of our Group;

(vii) the advice letter issued by Appleby summarising certain aspects of the Companies Law referred to in Appendix III to this document;

(viii) the Frost & Sullivan Report issued by Frost & Sullivan referred to in the section headed "Industry Overview" in this document;

(ix) the opinion issued by The Concord Consulting Service Limited on Macau tax provision review relating to our Group;

(x) the material contracts referred to in the paragraph headed "B. Further information about our business – 1. Summary of material contracts" in Appendix IV to this document;

(xi) the service contracts and letters of appointment referred to in the paragraph headed "C. Further information about Substantial Shareholders, Directors and experts – 2. Particulars of service contracts and letters of appointment" in Appendix IV to this document;

(xii) the written consents referred to in the paragraph headed "E. Other information – 7. Consents of experts" in Appendix IV to this document; and

(xiii) the rules of the Share Option Scheme.