

**CHI HO DEVELOPMENT HOLDINGS LIMITED**

**潛濤發展控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8423

**PUBLIC OFFER**

Sole Sponsor



**Alliance Capital Partners Limited**  
**同人融資有限公司**

Joint Lead Managers



**Alliance Capital Partners Limited**  
**同人融資有限公司**

**UPBEST SECURITIES COMPANY LIMITED**

## IMPORTANT

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

# CHI HO DEVELOPMENT HOLDINGS LIMITED

## 潛濤發展控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

### LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED PUBLIC OFFER

**Number of Offer Shares : 267,000,000 Shares (comprising  
200,000,000 New Shares and 67,000,000  
Sale Shares)**

**Offer Price : Not more than HK\$0.35 per Offer Share  
and expected to be no less than HK\$0.25  
per Offer Share, plus brokerage fee of  
1%, SFC transaction levy of 0.0027%  
and Stock Exchange trading fee of  
0.005% (payable in full upon application  
in Hong Kong dollars and subject to  
refund)**

**Nominal Value : HK\$0.01 per Share**

**Stock Code : 8423**

#### Sole Sponsor



**Alliance Capital Partners Limited**  
同人融資有限公司

#### Joint Lead Managers



UPBEST SECURITIES COMPANY LIMITED



**Alliance Capital Partners Limited**  
同人融資有限公司

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

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

The Offer Price is expected to be determined by the Price Determination Agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on or about Tuesday, 7 March 2017 and, in any event, not later than Wednesday, 8 March 2017. If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) are unable to reach an agreement on the Offer Price by Wednesday, 8 March 2017, the Public Offer will not become unconditional and will lapse. The Offer Price will not be more than HK\$0.35 per Offer Share and is expected to be not less than HK\$0.25 per Offer Share, unless otherwise announced. The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with the consent of our Company (for ourselves and on behalf of the Selling Shareholders), reduce the above indicative Offer Price range at any time prior to the Price Determination Date. In such a case, notice of the reduction in the indicative Offer Price range will be available on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of our Company at [www.chdev.com.hk](http://www.chdev.com.hk).

Prospective investors of the Offer Shares should note that the Joint Lead Managers (for themselves and on behalf of the Underwriters) may in their absolute discretion, upon giving notice in writing to our Company (for ourselves and on behalf of the Selling Shareholders), terminate the Underwriting Agreement with immediate effect if any of the events set forth under the paragraphs headed “Underwriting — Underwriting Arrangements and Expenses — Grounds for termination” of this prospectus occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Lead Managers (for themselves and on behalf of the Underwriters) terminate the Underwriting Agreement in accordance with the terms of the Underwriting Agreement, the Public Offer will not proceed and will lapse.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed “Risk factors” in this prospectus.

28 February 2017

## CHARACTERISTICS OF GEM

*GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.*

*Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.*

*The principal means of information dissemination on GEM is publication on the website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on companies listed on GEM.*

## EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Public Offer, we will issue an announcement in Hong Kong to be posted on the website of our Company at [www.chdev.com.hk](http://www.chdev.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

Latest time for completing electronic applications under the <b>HK eIPO White Form</b> service through the designated website <a href="http://www.hkeipo.hk">www.hkeipo.hk</a> ( <i>Note 2</i> ) . . . . .	11:30 a.m. on Friday, 3 March 2017
Application lists of the Public Offer open ( <i>Note 3</i> ) . . . . .	11:45 a.m. on Friday, 3 March 2017
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms and to give electronic application instructions to HKSCC ( <i>Note 4</i> ) . . . . .	12:00 noon on Friday, 3 March 2017
Latest time to complete payments for <b>HK eIPO White Form</b> applications by effecting internet banking transfer or PPS payment transfer(s) . . . . .	12:00 noon on Friday, 3 March 2017
Application lists of the Public Offer close ( <i>Note 3</i> ) . . . . .	12:00 noon on Friday, 3 March 2017
Expected Price Determination Date ( <i>Note 5</i> ) . . . . .	Tuesday, 7 March 2017
Announcement of (i) the Offer Price; (ii) the level of applications in the Public Offer; and (iii) the basis of allotment of the Offer Shares under the Public Offer to be published on the website of our Company at <a href="http://www.chdev.com.hk">www.chdev.com.hk</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> . . . . .	Friday, 10 March 2017
Results of allocation in the Public Offer will be available at <a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a> with a “search by ID Number” function from . . . . .	Friday, 10 March 2017
Announcement of results of allotment of the Public Offer (with successful applicants’ identification document numbers, where applicable) available through a variety of channels as described in the paragraph headed “How to apply for the Offer Shares — 11. Publication of results” in this prospectus from . . . . .	Friday, 10 March 2017
Despatch/collection of share certificates and/or <b>HK eIPO White Form</b> e-Auto Refund payment instructions/refunds cheques on or before ( <i>Notes 6, 7</i> ) . . . . .	Friday, 10 March 2017
Dealings in the Shares on GEM to commence on . . . . .	9:00 a.m. on Monday, 13 March 2017

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Public Offer, including its conditions, are set out in the section headed “Structure and conditions of the Public Offer” in this prospectus.

## EXPECTED TIMETABLE

2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 3 March 2017, the application lists will not open or close on that day. Further information is set forth in the paragraph headed “How to apply for the Offer Shares — 10. Effect of bad weather on the opening and closing of the application lists” in this prospectus.
4. Applicants who apply for the Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraph headed “How to apply for the Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Tuesday, 7 March 2017. If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) by Wednesday, 8 March 2017, the Public Offer will not proceed and will lapse. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$0.35 per Offer Share, applicants must pay the maximum Offer Price of HK\$0.35 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed “How to apply for the Offer Shares” in this prospectus.
6. Share certificates for the Offer Shares are expected to be issued on Friday, 10 March 2017 but will only become valid certificates of title at 8:00 a.m. on Monday, 13 March 2017 provided that (i) the Public Offer has become unconditional in all respects and (ii) the Underwriting Agreement has not been terminated. If the Public Offer does not become unconditional or the Underwriting Agreement is terminated, we will make an announcement as soon as possible.
7. Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. If you apply through the **HK eIPO White Form** services by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** services by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated website ([www.hkeipo.hk](http://www.hkeipo.hk)) by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

# CONTENTS

## IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.*

*You should rely only on the information contained in this prospectus to make your investment decision. We, the Selling Shareholders, the Sole Sponsor, the Joint Lead Managers have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholders, the Sole Sponsor, the Joint Lead Managers, any of their respective directors, officers, employees, agents or representatives, or any other person or party involved in the Public Offer.*

	<i>Page</i>
<b>Characteristics of GEM</b> .....	i
<b>Expected Timetable</b> .....	ii
<b>Contents</b> .....	iv
<b>Summary</b> .....	1
<b>Definitions</b> .....	13
<b>Glossary of Technical Terms</b> .....	22
<b>Forward-looking Statements</b> .....	25
<b>Risk Factors</b> .....	26
<b>Information about this Prospectus and the Public Offer</b> .....	44
<b>Directors and Parties Involved in the Public Offer</b> .....	48
<b>Corporate Information</b> .....	51
<b>Industry Overview</b> .....	53
<b>Laws and Regulations</b> .....	65
<b>History, Reorganisation and Corporate Structure</b> .....	88
<b>Business</b> .....	97

# CONTENTS

	<i>Page</i>
<b>Relationship with Controlling Shareholders</b> .....	170
<b>Directors, Senior Management and Employees</b> .....	175
<b>Share Capital</b> .....	188
<b>Substantial Shareholders</b> .....	191
<b>Financial Information</b> .....	193
<b>Future Plans and Use of Proceeds</b> .....	237
<b>Underwriting</b> .....	251
<b>Structure and Conditions of the Public Offer</b> .....	261
<b>How to Apply for the Offer Shares</b> .....	265
<b>Appendix I — Accountants' Report</b> .....	I-1
<b>Appendix II — Unaudited Pro Forma Financial Information</b> .....	II-1
<b>Appendix III — Summary of the Constitution of Our Company and Cayman Islands Companies Law</b> .....	III-1
<b>Appendix IV — Statutory and General Information</b> .....	IV-1
<b>Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection</b> .....	V-1

## SUMMARY

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

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

### BUSINESS OVERVIEW

*Our principal business activities.* Our Group is an established main contractor for the provision of RMAA and fitting-out works services in Hong Kong. We mainly provide two categories of works, which are (i) renovation and maintenance works, (ii) alteration and addition works and fitting-out works. In respect of renovation and maintenance works, our services encompass the general upkeep, restoration and improvement of existing facilities and components of the buildings and their surroundings. As for alteration and addition works and fitting-out works, our services mainly involve the alteration and addition of building layout and structural works and decoration works to the interior spaces to the existing premises.

*Our business model.* We mainly act as the main contractor in our projects and delegate works to our subcontractors under the supervision of and management of our project team. As the main contractor, we are responsible for the overall management, implementation and supervision of our projects including, among other, project management, engineering design and preparation of technical submission, devising detailed work programmes, engagement and supervision of subcontractors, procurement of major construction materials, coordination with customers or their consultants and the environmental, safety and quality control of the works carried out by the subcontractors.

*Our revenue.* During the Track Record Period, our total revenue amounted to approximately HK\$163.4 million, HK\$279.7 million and HK\$95.2 million respectively. The following table sets forth a breakdown of our revenue by the types of services for the years/period indicated:

	For the year ended 31 March				For the five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Renovation and maintenance works	70,239	43.0	62,168	22.2	34,598	20.6	22,600	23.7
Alteration and addition works and fitting-out works	39,927	24.4	137,589	49.2	116,770	69.7	12,063	12.7
Mixed <sup>(note)</sup>	53,281	32.6	79,917	28.6	16,270	9.7	60,532	63.6
	<u>163,447</u>	<u>100.0</u>	<u>279,674</u>	<u>100.0</u>	<u>167,638</u>	<u>100.0</u>	<u>95,195</u>	<u>100.0</u>

*Note:* “Mixed” denotes the mixture of both (i) renovation and maintenance works and (ii) alteration and addition works and fitting-out works is provided in a project.

## SUMMARY

The following table sets forth the revenue generated from different types of development for the years/period indicated:

	For the year ended 31 March				For the five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Residential development	38,533	23.6	95,648	34.2	21,873	13.0	63,797	67.0
Commercial and industrial development	76,878	47.0	51,378	18.4	30,578	18.3	25,917	27.2
Institutional and charitable development <sup>(Note)</sup>	48,036	29.4	132,648	47.4	115,187	68.7	5,481	5.8
<b>Total</b>	<b>163,447</b>	<b>100.0</b>	<b>279,674</b>	<b>100.0</b>	<b>167,638</b>	<b>100.0</b>	<b>95,195</b>	<b>100.0</b>

*Note:* Institutional and charitable development includes a building of charitable organisation, an elderly centre, a rehabilitation centre and a private hospital.

*Our gross profit and gross profit margin.* During the Track Record Period, our gross profit was approximately HK\$17.4 million, HK\$30.2 million, and HK\$12.6 million respectively. The table below sets forth a breakdown of the gross profit and gross profit margin during the Track Record Period by business segment:

	For the year ended 31 March				For the five months ended 31 August			
	2015		2016		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Renovation and maintenance works	6,112	8.7	6,812	11.0	4,420	12.8	2,411	10.7
Alteration and addition works and fitting-out works	3,793	9.5	13,492	9.8	7,354	6.3	1,709	14.2
Mixed <sup>(Note)</sup>	7,533	14.1	9,929	12.4	1,896	11.7	8,520	14.1
<b>Total</b>	<b>17,438</b>	<b>10.7</b>	<b>30,233</b>	<b>10.8</b>	<b>13,670</b>	<b>8.2</b>	<b>12,640</b>	<b>13.3</b>

*Note:* "Mixed" denotes the mixture of both (i) renovation and maintenance works and (ii) alteration and addition works and fitting-out works is provided in a project.

## SUMMARY

For detailed analysis of our Group's gross profit and gross profit margin, please refer to the paragraphs headed "Financial information — Comparison of results of operations" in this prospectus.

*Our tendering process.* As the main contractor in a project, we mainly secure projects through a tendering process. We identify business opportunities by reviewing the tender notices published in local newspapers and through invitations from customers or their consultants to submit tenders for potential projects. Most of the projects awarded to us during the Track Record Period were secured through tendering and a small part of which by quotations. For the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, our tender success rate was 5.7%, 7.5% and 4.0%, respectively. For details of the tender success rate of our Group, please refer to the paragraphs headed "Business — Our operation — Feasibility study and preparation of tenders" in this prospectus.

*Our pricing strategy.* Our pricing is determined based on a cost-plus pricing model in general with the markup, which is determined on a project-by-project basis. We estimate our cost of undertaking a project with reference to the following factors: (i) the nature, scope and complexity of the works involved; (ii) the availability of our manpower and resources (including financial resources); (iii) the subcontracting charges involved in the project; and (iv) the expected timetable for the projects as requested by the customer.

### OUR PROJECTS

During the Track Record Period and up to the Latest Practicable Date, we completed 30 projects, including 16 renovation and maintenance works projects; nine alteration and addition works and fitting-out works projects; and five mixed work projects which involved works in both areas of renovation and maintenance works as well as alteration and addition works and fitting-out works. For further details of our projects, please refer to the paragraphs headed "Business — Our projects" in this prospectus.

The following table sets forth the movement of backlog of our projects during the Track Record Period:

	<b>Number of projects</b>	<b>Value of backlog</b> <i>approximately</i> <i>HK\$ million</i>
On-going projects as at 1 April 2014	12	138.9
New contracts awarded during FY2015 ( <i>Note 1</i> )	8	252.9
Projects completed/Revenue recognised during FY2015 ( <i>Note 2</i> )	(13)	(163.4)
<b>On-going projects as at 31 March 2015</b>	<b>7</b>	<b>228.4</b>
On-going projects as at 1 April 2015	7	228.4
New contracts awarded during FY2016 ( <i>Note 1</i> )	9	696.7
Projects completed/Revenue recognised during FY2016 ( <i>Note 2</i> )	(7)	(279.7)
<b>On-going projects as at 31 March 2016</b>	<b>9</b>	<b>645.4</b>

## SUMMARY

	<b>Number of projects</b>	<b>Value of backlog</b> <i>approximately</i> <i>HK\$ million</i>
On-going projects as at 1 April 2016	9	645.4
New contracts awarded during the period five months ended 31 August 2016 ( <i>Note 1</i> )	4	11.0
Projects completed/Revenue recognised during the period five months ended 31 August 2016 ( <i>Note 2</i> )	(4)	(95.2)
<b>On-going projects as at 31 August 2016</b>	<b>9</b>	<b>561.2</b>

*Notes:*

1. Value of new contracts means the total contract sum of new projects (taking into account adjustments and variation orders) as at the end of the relevant financial year/period which were awarded to us during the relevant financial year/period.
2. Revenue recognised means the value of contract work recognised as revenue during the relevant financial year/period.

### COMPETITIVE LANDSCAPE AND MARKET SHARE

According to the F&S Report, the RMAA market in Hong Kong is highly competitive with over 6,000 service providers specialising in various segments including private buildings, public facilities, residential buildings etc. The overall RMAA market in Hong Kong is well established and considered to be a fragmented market with the top five players contributing 7.0% in 2015. According to the F&S Report, our Group contributed 0.4% to the RMAA market in 2015.

### CUSTOMERS AND SUPPLIERS

#### Customers

During the Track Record Period, our Group's major customers included (i) incorporated owners of private residential and commercial developments; (ii) corporate customers of private commercial and industrial developments; and (iii) institutional and charitable organisation. For the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, the percentage of our total revenue attributable to our largest customer amounted to approximately 31.2%, 47.3% and 22.0%, respectively, while the percentage of our total revenue attributable to our five largest customers amounted to approximately 74.6%, 82.6% and 76.5%, respectively. For further details of our major customers, please refer to the paragraphs headed "Business — Customers" in this prospectus.

#### Suppliers

During the Track Record Period, our suppliers mainly included (i) our subcontractors; (ii) suppliers of construction materials; and (iii) suppliers for other services such as insurance. During the Track Record Period, the percentage of our cost of sales incurred by our largest supplier amounted to

## SUMMARY

approximately 14.6%, 26.6% and 32.7% of our cost of sales, respectively, while the aggregate percentage of our cost of sales incurred by our five largest suppliers amounted to approximately 43.8%, 59.4% and 63.1% of our costs of sale, respectively.

During the Track Record Period, a relatively large portion of our costs of sales was our subcontracting charges while only a relatively small portion was our construction material cost. For the purpose of maximising our cost efficiency and utilising expertise of other specialist contractors, we engage subcontractors to perform the relevant works. During the Track Record Period, the works that we delegated to our subcontractors included combined building services installation, fire service system installation, electrical and mechanical installation, electrical works, builder's works, fitting-out works, mechanical ventilation and air-conditioning installation etc. During the Track Record Period, the subcontracting charges amounted to approximately 83.5%, 84.2% and 88.0% of our cost of sales, respectively. For further details of our suppliers and subcontractors, please refer to the paragraphs headed "Business — Suppliers" in this prospectus.

### COMPETITIVE STRENGTHS

Our Directors believe that our Group possesses the following competitive strengths which are described in greater details in the paragraphs headed "Business — Competitive strengths" in this prospectus:

- We have an established operating history of over 17 years and proven track record;
- We maintain a credit worthy and diversified customer base;
- We have an experienced and professional management team; and
- We have the capabilities to provide integrated service of both (i) renovation and maintenance works as well as (ii) alteration and addition works and fitting-out works to our customers.

### BUSINESS STRATEGIES

Our principal business objectives are to achieve sustainable growth, further strengthen our position in the RMAA and fitting-out works industry in Hong Kong, and to create long-term value for our Shareholders by executing the following key strategies:

- Continuing to strengthen our market position in the industry and expand our market share by securing more RMAA and fitting-out works contracts by utilising the net proceeds from the Public Offer to provide surety bonds in favour of our customers;
- Expanding our customer base and becoming a Group M1 (Maintenance) building contractor; and
- Strengthening our scope of services and becoming a Registered Specialist Contractor (Sub-register of Site Formation Category).

For more details on our business strategies, please refer to the paragraphs headed "Business — Business strategies" in this prospectus.

## SUMMARY

### CONTROLLING SHAREHOLDERS

On 11 November 2016, Mr. Leung and Mr. Ho entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert of each of the members of our Group during and since the Track Record Period and continue as of and after the date of the Concert Parties Confirmatory Deed. Details of the Concert Parties Confirmatory Deed are set out in the paragraphs headed “History, reorganisation and corporate structure — Parties acting in concert” in this prospectus.

Immediately following the completion of the Capitalisation Issue and the Public Offer (assuming that no Share is issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), by virtue of the Concert Parties Confirmatory Deed, Diamondfield (being wholly owned by Mr. Ho) and Sharp Talent (being wholly owned by Mr. Leung) will be together interested in 66.6% of the issued share capital of our Company, with (i) Diamondfield holding approximately 21.2% of the total issued share capital of our Company on a standalone basis; and (ii) Sharp Talent holding approximately 45.4% of the total issued share capital of our Company on a standalone basis. By virtue of the acting in concert arrangement between Mr. Leung and Mr. Ho, which are confirmed and documented in the Concert Parties Confirmatory Deed, Mr. Leung, Mr. Ho, Sharp Talent and Diamondfield are a group of Controlling Shareholders. For details regarding the shareholding interest of the Controlling Shareholders, please refer to the section headed “Substantial Shareholders” in this prospectus.

Our Controlling Shareholders have confirmed that none of them and their respective associates is interested in any business which competes or is likely to compete, directly or indirectly with the business of our Group. Our Controlling Shareholders, Mr. Leung and Mr. Ho, are the executive Directors of our Company. For further details, please refer to the paragraphs headed “Directors, senior management and employees — Directors — Executive Directors” in this prospectus.

### KEY OPERATIONAL AND FINANCIAL DATA

The following tables present a summary of key operational and financial data during the Track Record Period and should be read in conjunction with our financial information included in the Accountants’ Report set forth in Appendix I to this prospectus, including the notes thereto.

## SUMMARY

### Selected information extracted from combined statements of profit or loss and other comprehensive income

	<b>For the year ended 31 March</b>		<b>For the five months ended 31 August</b>	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Revenue	163,447	279,674	167,638	95,195
Cost of sales	(146,009)	(249,441)	(153,968)	(82,555)
Gross profit	17,438	30,233	13,670	12,640
Bank interest income	1	2	1	1
Administrative expenses	(6,632)	(10,279)	(3,409)	(4,347)
Finance costs	(1,467)	(1,947)	(848)	(693)
Profit before taxation	9,340	18,009	9,414	7,601
Income tax expense	(1,563)	(3,012)	(1,554)	(1,255)
Profit and total comprehensive income for the year/period	7,777	14,997	7,860	6,346

Our Group's revenue represents the amount received and receivable for revenue arising from renovation and maintenance work and alteration and addition works and fitting out works during the Track Record Period. As our services are provided on a project-by-project and a non-recurring basis, our revenue fluctuated during the Track Record Period, subject to various factors, including but not limited to the size, the nature and complexity of the projects and the percentage of completion of our works for a period.

For the five months ended 31 August 2016, our Group recorded a relatively low revenue when comparing to the five months ended 31 August 2015. Such relatively low revenue was mainly due to the completion of a substantial portion of works of a project for a charitable development in Sha Tin Racecourse, with an original contract sum of approximately HK\$167.1 million, during the five months ended 31 August 2015.

### Selected information extracted from combined statements of financial position

	<b>Year ended 31 March</b>		<b>Five months ended 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	89,997	94,711	132,381
Current liabilities	79,015	82,801	114,335
Net current assets	10,982	11,910	18,046

## SUMMARY

### Selected information extracted from combined statements of cash flows

	For the year ended 31 March		For the five months ended 31 August	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
			(unaudited)	
Operating cash flows before movements in working capital	11,102	20,425	10,343	8,606
Net cash from (used in) operating activities	5,161	2,957	(7,707)	2,562
Net cash used in investing activities	(4,480)	(14,234)	(3,374)	(4,492)
Net cash (used in) from financing activities	<u>(425)</u>	<u>19,481</u>	<u>21,823</u>	<u>9,985</u>
Net increase in cash and cash equivalents	256	8,204	10,742	8,055
Cash and cash equivalent at beginning of the year/period	<u>(2,651)</u>	<u>(2,395)</u>	<u>(2,395)</u>	<u>5,809</u>
Cash and cash equivalent at end of the year/period	<u><u>(2,395)</u></u>	<u><u>5,809</u></u>	<u><u>8,347</u></u>	<u><u>13,864</u></u>

### KEY FINANCIAL RATIOS

	Year ended 31 March/ As at 31 March		Five months ended/ As at 31 August
	2015	2016	2016
Gross profit margin	10.7%	10.8%	13.3%
Net profit margin	4.8%	5.4%	6.7%
Return on total assets	8.5%	13.2%	N/A
Return on equity	66.2%	58.3%	N/A
Current ratio	1.1 time	1.1 time	1.2 time
Gearing ratio	183.2%	155.6%	159.5%
Debt to equity ratio	178.2%	132.8%	116.3%
Interest coverage	7.4 times	10.2 times	12.0 times

*Notes:*

1. Return on total assets is calculated based on the profit for the year divided by the total assets as at the end of the year.
2. Return on equity is calculated based on the profit for the year divided by total equity at the end of the year.

## SUMMARY

3. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year/period.
4. Gearing ratio is calculated based on the total loans and borrowings divided by total equity at the end of the year/period.
5. Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the end of the year/period multiplied by 100%.
6. Interest coverage is calculated by the profit before interest and tax divided by the interest expenses for the year/period.

### **DIVIDEND**

A subsidiary of our Company distributed an interim dividend of HK\$1,027,000 for the year ended 31 March 2016 while no dividends were declared for the year ended 31 March 2015 and the five months ended 31 August 2016. We intend to declare a special dividend of HK\$22.0 million to our Shareholders before the Listing. Of this total, approximately HK\$18.6 million is expected to be offset against the amounts due from Directors (amounted to approximately HK\$18.6 million as at 31 December 2016) with the remaining HK\$3.4 million in cash. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payment.

Our Group currently does not have any specific dividend policy. Dividends may be paid out by way of cash or by other means that our Directors consider appropriate. The declaration of future dividends will be subject to the discretion of our Board and approval of our Shareholders and will depend on our earnings, financial condition, cash requirement and availability and any other factors our Directors may deem relevant. As such factors and the payment of dividends are at the discretion of our Board, there can be no assurance that any particular dividend amount or any dividend at all, will be declared and paid in the future. Prospective investors should note that historical dividend payments should not be regarded as an indication of our future dividend.

### **RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE**

After the Track Record Period and up to the Latest Practicable Date, we were awarded six additional projects, which are (i) a renovation and maintenance works project, mainly involving replacement of damaged drainage pipes for the Hong Kong Baptist Hospital, with an original contract sum of approximately HK\$0.2 million; (ii) an alteration and addition works and fitting-out works project, mainly involving the demolition of linen dumbwaiter for the Hong Kong Baptist Hospital, with an original contract sum of approximately HK\$1.1 million; (iii) a mixed project, mainly involving RMAA roofing works for a private commercial building on Salisbury Road, Tsim Sha Tsui, with an original contract sum of approximately HK\$11.5 million; (iv) a mixed project, mainly involving alteration and addition works and fitting-out works for the proposed guesthouse for a commercial development on Portland Street, Mongkok with an original contract sum of approximately HK\$59.7 million; (v) an alteration and addition works and fitting-out works project, mainly involving replacement of windows and interior finishing for the Hong Kong Baptist Hospital, with an original contract sum of approximately HK\$1.5 million; and (vi) a renovation and maintenance works project, mainly involving replacement of college logo at the external wall for an institutional organisation on On Muk Street, Sha Tin, with an original contract sum of approximately HK\$0.3 million.

## SUMMARY

As at the Latest Practicable Date, we had eight projects in progress with a total original contract sum of approximately HK\$708.1 million and out of which a total revenue of approximately HK\$85.7 million was recognised during the Track Record Period. As at the Latest Practicable Date, we had eight contracts on hand with a total outstanding contract value of approximately HK\$622.3 million. Based on the management's estimation, taking into account of the respective existing timetable, approximately HK\$238.5 million is expected to be recognised for the seven months ending 31 March 2017 and approximately HK\$248.5 million is expected to be recognised for the six months ending 30 September 2017.

The financial results of our Group for the year ending 31 March 2017 are expected to be significantly affected by the estimated expenses in relation to the Listing as it is expected that there will be a significant decrease in net profit for the year ending 31 March 2017. Such Listing expenses are a current estimate for reference only and the final amount to be charged to profit and loss account of our Group for the year ending 31 March 2017 and the amount to be deducted from our Group's capital is subject to change.

Save and except as disclosed above, our Directors confirm that, up to the date of this prospectus, there has been no material and adverse change in the financial or trading position or prospects of our Group since 31 August 2016 (being the date to which the latest audited combined financial statements of our Group were prepared), and there has been no event since 31 August 2016 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

### FUTURE PLANS AND USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders in the Public Offer. Based on the Offer Price of HK\$0.30 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.25 per Offer Share to HK\$0.35 per Offer Share, the net proceeds to be received by us from the Public Offer are estimated to be approximately HK\$38.0 million, after deducting the estimated Listing expenses, paid and payable by our Company from the gross proceeds of the Public Offer. Our Directors intend to apply such net proceeds as follows:

<b>Approximate amount of net proceeds</b>	<b>Intended usage</b>
HK\$19.6 million, or 51.5%	Reserve more capital to satisfy our potential customers' requirement for surety bond
HK\$8.0 million, or 21.1%	Reduce gearing ratio by repaying bank borrowings, which were used for the general working capital for our daily operation during the Track Record Period
HK\$8.0 million, or 21.1%	Support the working capital requirement for our Group applying and maintaining M1 (Maintenance) building contractor license
HK\$2.4 million, or 6.3%	Strengthen our scope of services — site formation

For details of our future plans and use of proceeds, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

Please also refer to the paragraphs headed "Future plans and use of proceeds — Reasons for the Listing" in this prospectus for detailed reasons for our Listing.

## SUMMARY

### OFFERING STATISTICS

	<b>Based on the minimum Offer Price of HK\$0.25 per Share</b>	<b>Based on the maximum Offer Price of HK\$0.35 per Share</b>
Market capitalisation ( <i>Note 1</i> )	HK\$200.0 million	HK\$280.0 million
Unaudited pro forma adjusted combined net tangible assets of our Group per Share ( <i>Note 2</i> )	HK\$0.076	HK\$0.099

*Notes:*

1. The calculation of our market capitalisation is based on 800,000,000 Shares which will be in issue immediately following completion of the Public Offer, but takes no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed “Share capital” in this prospectus.
2. The unaudited pro forma adjusted combined net tangible assets of our Group per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

### LITIGATION AND LEGAL COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Group had one criminal conviction in the course of our business resulting in a fine of HK\$17,000. As at the Latest Practicable Date, we were a party to three outstanding employees’ compensation claims and/or personal injury claims and four outstanding criminal litigations in course of our business. During the Track Record Period and up to the Latest Practicable Date, our Group recorded six personal injury accidents which may lead to potential employees’ compensation and personal injury claims. Please refer to the paragraphs headed “Business — Litigation and potential claims” in this prospectus for further details.

During the Track Record Period and up to the Latest Practicable Date, there were certain non-compliance incidents and in particular, non-compliance with (i) the Construction Industry Council Ordinance; and (ii) the Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations. For further details, please refer to the paragraphs headed “Business — Non-compliance” in this prospectus.

### RISK FACTORS

There are certain risks involved in our business and operations. They can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to the Public Offer; and (iv) risks relating to statements made in this prospectus. We believe that our major risks include:

- We have relatively thin net profit margin and our financial results are highly sensitive to any unfavourable change in our cost of sales, contract prices and the market conditions in the RMAA and fitting-out industry in Hong Kong
- Our Group may not be able to maintain or increase our success rate of the projects tendered

## SUMMARY

- Our Group had a concentration of customers during the Track Record Period
- We derive our revenue from projects of a non-recurrent nature, where there is no guarantee that our customers will provide us with new business or that we will secure new contracts
- Reliance on subcontractors

A detailed discussion of the risk factors is set forth in the section headed “Risk factors” in this prospectus. Prospective investors should read the section headed “Risk factors” in its entirety before making any investment decision in the Listing.

### **LISTING EXPENSES**

Our Directors expect that our total Listing expenses, which are non-recurring in nature, will amount to approximately HK\$23.0 million which will be borne as to approximately HK\$22.0 million by us and as to approximately HK\$1.0 million by the Selling Shareholders. Out of the amount of approximately HK\$22.0 million of Listing expenses, our Directors expect to recognise approximately HK\$14.2 million in our Group’s profit and loss accounts for the year ending 31 March 2017 and the remaining estimated Listing expenses in the amount of approximately HK\$7.8 million will be deducted from equity upon the Listing.

## DEFINITIONS

*Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the sections headed “Glossary of technical terms”.*

“Accountants’ Report”	the accountants’ report of our Group prepared by the Reporting Accountants set out in Appendix I to the prospectus
“Affiliate(s)”	in relation to a director of any member of our Group means: <ul style="list-style-type: none"><li>(i) a close associate (as defined in Rule 1.01 of the GEM Listing Rules) of such director;</li><li>(ii) any person whose acquisition of Shares has been financed directly or indirectly by such director or the close associate of such director; or</li><li>(iii) any person who is accustomed to take instructions from such director or close associate of such director in relation to the acquisition, disposal, voting or other disposition of Shares registered in that person’s name or otherwise held by that person</li></ul>
“AMO”	Antiquities and Monuments Office, The Government of HKSAR
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s), individually or collectively, as the context may require
“Articles of Association” or “Articles”	the articles of association of our Company conditionally adopted on 22 February 2017 and with effect from the Listing, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Baker Tilly”	Baker Tilly Hong Kong Risk Assurance Limited
“Board” or “Board of Directors”	our board of Directors
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not (i) a Saturday, Sunday or public holiday in Hong Kong or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.

## DEFINITIONS

“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 599,999,956 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraphs headed “A. Further information about our Company — Written resolutions of our Shareholders” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law” or “Cayman 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), which came into effect on 3 March 2014, as amended, modified and supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance” or “Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Chi Ho Development Holdings Limited (潛濶發展控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 18 October 2016

## DEFINITIONS

“Concert Parties Confirmatory Deed”	the confirmatory deed dated 11 November 2016, entered into by our ultimate Controlling Shareholders, namely Mr. Leung and Mr. Ho to acknowledge and confirm, among other things, that they are parties acting in concert in relation to our Group, details of which are set out in the paragraphs headed “History, reorganisation and corporate structure — Parties acting in concert” of this prospectus
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules, and in the context of this prospectus, by virtue of the acting in concert arrangement between Mr. Leung and Mr. Ho, which are confirmed and documented in the Concert Parties Confirmatory Deed, means a group of Shareholders consisting of Mr. Leung and Mr. Ho and the companies wholly owned by each of them for holding the Shares, namely Sharp Talent and Diamondfield respectively
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 22 February 2017 entered into by each of the Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), the particulars of which are set out in the paragraphs headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 22 February 2017 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), which contains certain non-competition undertakings, the particulars of which are set out in the paragraphs headed “Relationship with Controlling Shareholders — Non-compete undertaking” this prospectus
“Diamondfield”	Diamondfield Holdings Limited, a company incorporated in BVI on 25 August 2016 with limited liability and wholly owned by Mr. Ho, a Controlling Shareholder
“Diamond Step”	Diamond Step Ventures Limited, a company incorporated in the BVI on 26 September 2016 with limited liability and a subsidiary of our Group
“Director(s)”	director(s) of our Company

## DEFINITIONS

“Frost & Sullivan”	Frost & Sullivan International Limited, an independent industry consultant engaged by our Company
“F&S Report”	an independent industry research report commissioned by our Company prepared by Frost & Sullivan on the RMAA industry in Hong Kong
“Fulam Construction”	Fulam Construction Engineering Company Limited (富林工程營造有限公司), a company incorporated in Hong Kong on 3 September 1999 with limited liability and wholly owned by Diamond Step, an indirect subsidiary of our Company
“Fulam Engineering”	Fulam Engineering Hong Kong Company Limited (富林工程香港有限公司), a company incorporated in Hong Kong on 4 June 2012 with limited liability and wholly owned by Idea Lion, an indirect subsidiary of our Company
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Government” or “Hong Kong Government”	the government of Hong Kong
“Group”, “our Group”, “we” or “us”	our Company together with our subsidiaries or, where the context refers to any time prior to its incorporation, the business in which the predecessors of its present subsidiaries were engaged and which were subsequently assumed by such subsidiaries pursuant to the Reorganisation, and “Group Company” means any member of our Group
“GREEN Application Form(s)”	the application form(s) to be completed by <b>HK eIPO White Form</b> Service Provider
“HK\$” or “Hong Kong dollar(s)” or “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“ <b>HK eIPO White Form</b> ”	the application for Offer Shares in the applicant’s own name by submitting applications online through the designated website of <b>HK eIPO White Form</b> at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>

## DEFINITIONS

“HK eIPO White Form Service Provider”	the <b>HK eIPO White Form</b> service provider designed by our Company, as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“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” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Idea Lion”	Idea Lion Limited, a company incorporated in the BVI on 26 September 2016 with limited liability and a subsidiary of our Company
“Independent Third Party(ies)”	individual(s) or a company(ies) who is (or are) independent of and not a connected person or connected persons (within the meaning of the GEM Listing Rules) with any directors, chief executive or substantial Shareholders (within the meaning under the GEM Listing Rules) of our Company, any of its subsidiaries or any of their respective associates
“Joint Lead Managers”	Alliance Capital Partners Limited and Upbest Securities Company Limited
“Latest Practicable Date”	20 February 2017, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its printing
“laws”	include all laws, rules, regulations, guidelines, opinions (whether formally published or not), notices, circulars, orders, judgements, decrees or rulings of any court, government, governmental or regulatory authority whether or not ejusdem generis with any of the foregoing (including, without limitation, the Stock Exchange) and “law” shall be construed accordingly
“Legal Counsel”	Ms. Ng Wing Shan Queenie, barrister-at-law in Hong Kong
“Listing”	the listing of the Shares on GEM
“Listing Committee”	the Listing Committee of the Stock Exchange

## DEFINITIONS

“Listing Date”	the date on which dealings in the Shares on GEM first commence, which is expected to be on Monday, 13 March 2017
“Listing Division”	the listing division of the Stock Exchange (with responsibility for GEM)
“Main Board”	the Main Board of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, adopted on 22 February 2017 and with effect from the Listing, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“Mr. Ho”	Mr. Ho Chi Kwan (何智崑), one of the founders of Fulam Construction, an executive Director and Controlling Shareholder
“Mr. Leung”	Mr. Leung Ka Ho, Raymond (梁家浩), an executive Director and Controlling Shareholder
“Ms. Cheung”	Ms. Cheung Ching Man (張靜敏), one of the founders of Fulam Construction
“New Shares”	the 200,000,000 new Shares to be offered for subscription under the Public Offer
“Offer Price”	the final price per Offer Share in Hong Kong dollar (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.35 per Offer Share and not less than HK\$0.25 per Offer Share at which the Offer Shares are to be subscribed pursuant to the Public Offer, to be determined as described under the paragraphs headed “Structure and Conditions of the Public Offer — Pricing and Allocation” in this prospectus
“Offer Share(s)”	the 267,000,000 Shares (comprising 200,000,000 New Shares and 67,000,000 Sale Shares) offered for subscription under the Public Offer
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014

## DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on or around the Price Determination Date to fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Tuesday, 7 March 2017, on which the Offer Price is fixed by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) and, in any event, no later than Wednesday, 8 March 2017
“Public Offer”	the offer of the Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed “History, reorganisation and corporate structure” of this prospectus
“Reorganisation Agreement”	the reorganisation agreement dated 11 November 2016 entered into by Mr. Ho, Mr. Leung and our Company, pursuant to which our Company acquired the entire issued share capital of Idea Lion and Diamond Step from Mr. Leung and Mr. Ho, and in consideration thereof, our Company allotted and issued as fully paid seven Shares to Diamondfield and 15 Shares to Sharp Talent respectively
“Sale Shares”	the 67,000,000 Shares being offered for sale by the Selling Shareholders at the Offer Price under the Public Offer
“Selling Shareholders”	Diamondfield and Sharp Talent, our existing Shareholders who have offered to sell the Sale Shares in the Public Offer
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

## DEFINITIONS

“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on GEM
“Shareholder(s)”	shareholder(s) of our Company from time to time
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 22 February 2017, the principal terms of which are summarised under the paragraphs headed “D. Share Option Scheme — 1. Share Option Scheme” in Appendix IV to this prospectus
“Sharp Talent”	Sharp Talent Holdings Limited, a company incorporated in BVI on 4 July 2016 with limited liability wholly owned by Mr. Leung, a Controlling Shareholder
“Sole Sponsor” or “Alliance Capital”	Alliance Capital Partners Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, acting as the sole sponsor to the Listing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	comprises the period for the year ended 31 March 2015, 31 March 2016 and five months ended 31 August 2016
“Underwriters”	the underwriters of the Public Offer, details of which are set out in the section headed “Underwriting — Underwriters” in this prospectus
“Underwriting Agreement”	the conditional underwriting agreement dated 27 February 2017 relating to the Public Offer entered into amongst our Company, the Controlling Shareholders, the Selling Shareholders, the executive Directors, the Sole Sponsor, the Joint Lead Managers and the Underwriters, as further described in the section headed “Underwriting” in this prospectus
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Offer Shares to be issued in the applicant’s or applicants’ own name(s)

## DEFINITIONS

“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Offer Shares to be deposited directly into CCASS
“U.S. dollar(s)” or “US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“m”	metre
“%”	per cent.

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

*If there is any inconsistency between the Chinese names of entities and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “\*” and the Chinese translation of company names in English which are marked with “\*” is for identification purpose only.*

## GLOSSARY OF TECHNICAL TERMS

*This glossary contains explanations of certain terms and definitions used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.*

“Authorised Signatory” or “AS”	the appointed person to act for a registered contractor for the purpose of the Buildings Ordinance
“Building Authority”	the Director of Buildings of the Buildings Department
“Buildings Department”	The Buildings Department of the Hong Kong Government
“Buildings Ordinance”	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“Competition Ordinance”	Competition Ordinance (Chapter 619 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Construction Industry Council” or “HKCIC”	Hong Kong Construction Industry Council
“Construction Workers Registration Ordinance”	Construction Workers Registration Ordinance (Chapter 583) of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Employees’ Compensation Ordinance”	Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Employment Ordinance”	Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Factories and Industrial Undertakings Ordinance”	Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Group M1” or “M1”	Group M1 under the Maintenance Works Category in the List of Building Contractors approved by the Housing Authority
“Group M2” or “M2”	Group M2 under the Maintenance Works Category in the List of Building Contractors approved by the Housing Authority
“Housing Authority”	Hong Kong Housing Authority

## GLOSSARY OF TECHNICAL TERMS

“Inland Revenue Ordinance”	Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001:2008”	an internationally recognised standard for quality management systems published by ISO, prescribing requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
“ISO 14001:2004”	an internationally recognised standard for environmental management systems published by ISO, prescribing controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
“Labour Department”	the Labour Department of the Hong Kong Government
“main contractor”	in respect of a construction project, a contractor appointed by the project employer or its construction consultant, who generally oversees the progress of the entire construction project and delegate different work tasks of the construction to other contractors
“Mandatory Provident Fund Schemes Ordinance”	Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Minimum Wage Ordinance”	Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Occupational Safety and Health Ordinance”	Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems

## GLOSSARY OF TECHNICAL TERMS

“OHSAS 18001:2007”	an internationally recognised specification for Occupational Health and Safety Management Systems, setting out requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance
“Registered Electrical Contractor”	an electrical contractor which is registered with the Electrical and Mechanical Services Department to carry out electrical works in Hong Kong
“Registered General Building Contractor” or “RGBC”	a person whose name is on the register of general building contractors maintained under section 8A of the Buildings Ordinance from time to time
“Registered Specialist Contractor” or “RSC”	a person whose name is on the register of specialist contractors maintained under section 8A of the Buildings Ordinance from time to time
“RMAA”	renovation, maintenance, and alteration and addition works
“schedule of rates”	a schedule containing items which are relevant to the contract works with the applicable unit rate to be charged against each item
“subcontractor”	in respect of a construction project, a subcontractor appointed by the main contractor or another subcontractor involved in the construction, who generally carries out specific work tasks of the construction
“Technical Director(s)”	in respect of any registered contractor which is a corporate entity, a director authorised by the board of directors of such contractor to ensure the works are carried out in accordance with the Buildings Ordinance

## FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management, as such they are by their nature subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, plans, objectives and goals;
- the nature of, and potential for, future development of our business;
- various business opportunities that we may pursue;
- changes in competitive conditions and our ability to compete under these conditions;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory qualifications required to operate our business;
- future developments, trends and conditions in the industry and markets in which we operate;
- our future debt levels and capital needs;
- our financial conditions and performance; and
- our future dividend.

The words “aim”, “anticipate”, “believe”, “can”, “could”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative forms of these words with similar expressions, as they relate to us, are intended to identify a number of these forward looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in the section headed “Risk factors” in this prospectus. One or more of these risks or uncertainties may materialise.

Subject to the requirements of the GEM Listing Rules, our Company does not have any obligation and does not undertake to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statement set out in this section.

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

## RISK FACTORS

*You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.*

We believe that there are certain risks involved in our business and operations. They can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to the Public Offer; and (iv) risks relating to statements made in this prospectus.

### **RISKS RELATING TO OUR BUSINESS**

**We have relatively thin net profit margin and our financial results are highly sensitive to any unfavourable change in our cost of sales, contract prices and the market conditions in the RMAA and fitting-out industry in Hong Kong.**

We had relatively thin net profit margins during the Track Record Period. For the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, our net profit margin was approximately 4.8%, 5.4% and 6.7%, respectively. Our contract prices are affected by a variety of factors and vary with the types of projects. Our pricing strategy and policy may not be effective in maintaining our financial performance including our profit margin and profitability or we may fail to adjust our pricing policy to ensure we are responsive timely to market price changes and customers' responses. We may also be subject to escalations in the subcontracting charges, construction material costs and labour costs. We are also subject to loss of major customers and bad debts.

Since all of our revenue was derived in Hong Kong during the Track Record Period, our financial results are also susceptible to changes in market conditions of the RMAA and fitting-out industry in Hong Kong, which could affect our contract prices, costs and the volume of contracts awarded to us. Other factors which affect the RMAA and fitting-out industry in Hong Kong include (i) cyclical trends of the economy as a whole; (ii) fluctuations in interest rates; (iii) availability of skilled labour; and (iv) general conditions and development of the Hong Kong economy.

Any unfavourable changes of the above and the market conditions in the RMAA and fitting-out industry in Hong Kong could have a material adverse effect on our sales, operation, financial condition, profitability or cash flows and we could record lower net profit margin or even suffer a net loss.

### **Our Group may not be able to maintain or increase our success rate of the projects tendered**

During the Track Record Period, our Group's success rate on project tendering was approximately 5.7%, 7.5% and 4.0%, respectively. There are a number of factors in determining the success rate on project tendering, such as the number of invitations to tender in each year and the tenders submitted by our Group's competitors for each project. As the contracts awarded are on a project-by-project basis, there is a risk that our Group may not be awarded with new contracts by our customers upon the completion of the current contracts. Hence, there is no assurance that our Group will be able to maintain

## RISK FACTORS

or increase our success rate of attaining the engagement for projects tendered and quoted in the future. In the event that our Group is unable to maintain our success rate on project tendering, our Group's revenue and fairness operations may be materially and adversely impacted.

### **Our Group had a concentration of customers during the Track Record Period**

During the Track Record Period, we recognised revenue from 32, 29 and 18 projects for the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, respectively. Our five largest customers accounted for approximately 74.6%, 82.6% and 76.5% of our revenues for the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, respectively; whereas our largest customers accounted for approximately 31.2%, 47.3% and 22.0% of our revenues for the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, respectively. In the event of defaulting payments by any of our major customers, we may be unable to recover a significant amount of the receivables and thus our cash flows, business and financial position could be adversely affected.

### **We derive our revenue from projects of a non-recurrent nature, where there is no guarantee that our customers will provide us with new business or that we will secure new contracts**

Our Group principally engages in the construction industry in Hong Kong, focusing on the provision of (i) renovation and maintenance works; and (ii) alteration and addition works and fitting-out works. Our services are provided on a project-by-project and non-recurring basis and we do not have any long term commitment with our customers. Thus, our number of customers varies from year to year.

As at the Latest Practicable Date, we had seven ongoing projects. Upon completion of these on-going contracts and in the event that our Group is unable to secure new contracts or has not commenced work for any of our new contracts, our revenue and financial performance may be adversely affected. Our future growth and success is dependent on, among other things, our ability to continue securing tenders and contract awards and our ability to secure new customers. We cannot guarantee that our existing customers will continue to provide us with new business opportunities after the completion of current projects or that we will be able to seek for new customers. If our customers do not provide us with new businesses or if we are unable to find new customers, our future revenue and profit would be adversely affected.

### **Reliance on subcontractors**

For the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, subcontracting charges were approximately HK\$121.9 million, HK\$210.0 million and HK\$72.7 million respectively, representing approximately 83.5%, 84.2% and 88.0% of our total cost of sale, respectively.

Sometimes, we may not be able to monitor the performance of our subcontractors as efficiently as commended to our own staff. In addition, our inability to hire qualified subcontractors could hinder our ability to complete a project successfully.

## RISK FACTORS

The subcontracting arrangement also exposes us to risks associated with delayed or sub-standard performance of our subcontractors. Accordingly, the quality of our work may be adversely affected or the completion of our construction projects may be delayed. We may be liable under the relevant contract with customers for our subcontractors' performance. These events may impact our profitability, financial performance and reputation, and could result in litigation or damage claims made against us.

Owing to the nature of the business carried out by our subcontractors, our subcontractors are also exposed to risks in relation to the safety of construction sites, environmental protection and/or compliance with relevant employment laws and regulations, which may affect their renewal of relevant registrations or licences or may even lead to revocation of their registrations or licences. If this happens to our subcontractors in our projects, we will have to appoint replacement subcontractor(s) and additional costs will be incurred.

If our subcontractors violate any laws, rules or regulations in relation to health and safety matters, we may sometimes be subject, as the primary obligor, to prosecutions by relevant authorities. For instance, under the Immigration Ordinance, if a subcontractor employs an illegal immigrant on a construction site, the construction site controller (including the principal or main contractor and the subcontractor) may be charged for the relevant offence and be liable to all legal consequences thereof. In addition, we may be subject to claims for losses and damages, if our subcontractors cause any personal injuries/death or damage to the properties of any third party. Moreover, pursuant to the Employment Ordinance, (i) a principal contractor is, or (ii) a principal contractor and every superior subcontractor are, jointly and severally, liable to pay any wages that become due to an employee who is employed by a subcontractor for carrying out any work which the subcontractor has been contracted to perform. If such wages are not paid within the period specified in the Employment Ordinance and we are liable to pay the wages in lieu of our subcontractors, our operations and financial results may be adversely affected if any of our subcontractors violates its obligations in relation to any laws, rules or regulations.

**Our Group determines the contract price based on our estimated time and costs involved in the project. The actual time and costs may deviate from our estimations. An inaccurate estimation or ineffective cost management may adversely affect our Group's financial results**

A majority of our projects awarded to us during the Track Record Period were obtained through tendering while a few were obtained through quotation. When preparing quotes for our tenders, our estimations are based on the available information provided to us by potential customers, taking into account, among others, our then prevailing level of available manpower and resources (including financial resources), subcontracting charges, and the length and complexity of relevant projects. We may suffer losses if there is any underestimation or overrun, therefore our tenders or quotations may have inherent risks, such as the risk of losses from underestimated costs, liquidated damages for delayed completion, unforeseen difficulties in completing the projects or incidents that may cause an increase in any unexpected time or cost.

For instance, our operating costs and gross profits may vary substantially from our original estimates as a result of:

- our failure to accurately estimate the cost, including our subcontracting charges;
- any unanticipated technical problems that incur additional time and costs;

## RISK FACTORS

- any failure of our subcontractors' performance of subcontracted works may force us to incur additional costs in replacing the defaulting subcontractor or carrying out rectification works; and
- any exacerbation of any or most of the aforesaid factors alongside the growth of the projects in terms of their size and complexity.

Once we are awarded with a contract, its value, like most of our other projects, would then be fixed and determined upon the signing of the contract. If we are unable to maintain our costs within our original estimations throughout the course of carrying out the contract; or if we are not able to fully cover any increases in costs, such as those arising from overruns during the course of the project; or if the additional works undertaken by us are not covered in the variation orders provided in the contracts, our financial results would be adversely affected.

**We recorded net cash used in operating activities of approximately HK\$7.7 million for the five months ended 31 August 2015. If we record net cash outflow from operating activities in the future, our liquidity and financial condition may be materially and adversely affected**

We recorded net cash used in operating activities of approximately HK\$7.7 million for the five months ended 31 August 2015, primarily as a result of operating cash flows before movements in working capital of approximately HK\$10.3 million, an increase in trade and other payables of approximately HK\$6.5 million and a decrease in amounts due from customers for contract work of approximately HK\$3.2 million which were partly offset by an increase in trade and other receivables of approximately HK\$27.8 million. Please refer to the paragraph headed "Financial Information — Liquidity and capital resources — Cash flows" for details of the cashflows of our Group during the Track Record Period.

In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. We cannot give any assurance that we will have sufficient cash from other sources to fund our operations. If we seek other financing activities to obtain additional cash, we will incur additional finance costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

**Our surety bonds may be forfeited in the event of our non-performance of contracts and the amount of such surety bonds may increase, in either case, our cash flows and financial position could be adversely affected**

According to the F&S report, it is a common practice in the construction industry that contractors are required by their customers to take out surety bonds to a certain percentage of the contract sum to secure due performance and compliance with the contracts. If the contractor fails to comply with the requirements in the contract, the customer is guaranteed compensation for monetary loss up to the amount of the surety bonds.

During the Track Record Period, we undertook 33 projects, of which 17 projects, with an aggregate awarded contract sum of approximately HK\$1,087.0 million, required surety bonds. The surety bonds generally amount to 10% of total awarded contract sum for each project from our customers. During the Track Record Period, we engaged the services of insurance companies that provided such surety bonds

## RISK FACTORS

by pledging to them approximately 10% to 30% of the total surety bond amount required (generally the amount of the pledged deposit was equivalent to 1% to 3% of total awarded contract sum), depending on the terms of the respective surety bond, in the form of cash. The amount paid for the surety bonds may be locked up for a prolonged period of time, depending on contract period. In the event our customers require an additional percentage of total contract sum as surety or the insurance companies we engaged require additional cash be pledged from us, our financial burden will increase or worsen.

Moreover, if we fail to satisfactorily complete the work required by our customers, the amount paid for the surety bonds will not be released to us, which may thereby adversely affect our cash flow and financial position.

### **Any significant increase in our subcontracting charges and substandard subcontractor works may have adverse impacts on our financial results**

During the Track Record Period, the works we delegated to our subcontractors included combined building services installation, fire service system installation, electrical and mechanical installation, electrical works, builder's works, fitting-out works, mechanical ventilation and air-conditioning installation, etc. For the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, our subcontracting charges were approximately HK\$121.9 million, HK\$210.0 million and HK\$72.7 million, representing approximately 83.5%, 84.2% and 88.0% of our total cost of sale, respectively.

Generally, we prepare tenders based on our estimated project costs (which mainly include subcontracting charges, wages and construction material costs) plus a mark-up margin. However, the related actual subcontracting charges may not be ascertained accurately when we prepare tenders or quotations. Any unexpected material fluctuations in such charges or costs during the course of execution of our projects may affect our profitability. For further details, please refer to the sensitivity analysis illustrating the impact of hypothetical fluctuations in the subcontracting charges on our profit before tax for the Track Record Period as set out in the paragraphs headed "Financial information — Description of selected items from combined statements of comprehensive income — Cost of sales" in this prospectus.

There is no guarantee that the quality of our subcontractors' works will always meet our required standards, and we may be forced to remedy the substandard subcontractors' works at additional costs, which will also cause delay to the projects completion. Furthermore, we cannot guarantee that the cost of engaging subcontractors will be stable. If we are unable to factor these potential fluctuations into our tenders or quotations and pass all or part of such additional costs to our customers, or reduce other costs, our financial results and position may be materially and negatively affected.

### **Our business is labour intensive. If we or our subcontractors experience any shortage of labour, industrial actions or strikes, our operations and financial results would be adversely affected**

We rely on a stable workforce to carry out our (i) renovation and maintenance works and (ii) alteration and addition works and fitting-out works. Construction works are typically divided into several disciplines and each requires specialised labour. Industrial actions of any one discipline may disrupt the progress of our RMAA and fitting out works. During the Track Record Period, our projects did not encounter any strike actions or material labour shortage that affects our business performance. However, there is no assurance that industrial actions or strikes will not be launched that there will be

## RISK FACTORS

sufficient supply of labour in the future. Such industrial actions, strikes or material shortage of labour may adversely impact our business performance, profitability and results of operation. Any delays in the completion of our construction works caused by such actions may also be taken into consideration by our customers when considering our future tender submissions, and thus will have an adverse impact on our chances of winning future tenders.

### **Time required to award and complete renovation work may be lengthened in the future**

During the Track Record Period, our customer base included (i) incorporated owners of private residential and commercial developments; (ii) corporate customers of private commercial and industrial developments; and (iii) institutional and charitable organisation. Recently, news about the collusion between renovation and maintenance contractors and incorporated owners in other residential renovation projects which may lead to the time required to award renovation and maintenance works to contractors being lengthened, due to the need for incorporated owners to properly explain the process to individual building owners and to answer their questions. Also, there is a possibility that such a renovation and maintenance contract would be rescinded due to an improper contract awarding procedure and/or legal challenge of awarded contract by individual building owner(s).

### **Our business has to be operated with various registrations, certificates and licences and the loss of or failure to obtain and/or renew any or all of these registrations, certifications and/or licences could materially and adversely affect our business**

Under Hong Kong law, our Group is required to obtain/maintain certain registrations and/or certificates in order to operate certain parts of our business. For details, please refer to the section headed “Laws and regulations” in this prospectus. To continue to conduct our business in carrying out construction works, we are required to maintain operating qualifications and licences. Please refer to the paragraphs headed “Business — Licences and permits” in this prospectus for further details.

In particular, Fulam Construction is registered as a General Building Contractor with our certificate of registration valid until 15 January 2018. The Building Authority may remove the name of a contractor from the register if (i) he is satisfied that the contractor is no longer suitable (for any reason) for registration; or (ii) the contractor fails to provide relevant information and documentary proof required by the Building Authority upon the expiry of the registration. According to the relevant regulations, the Building Authority will only refer a contractor to attend an interview conducted by the Contractors Registration Committees, an independent bodies appointed by the Buildings Department, to assess the suitability of a contractor for retention of its name in the register if it has been, among other things, convicted of seven or more labour safety offences relating to building works committed within a rolling six months. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, the number of convictions of Fulam Construction in relation to the labour safety offences did not reach the prescribed numbers. However, we were, as at the Latest Practicable Date, subject to four charges in relation to the labour safety and we cannot assure you that our convictions in relation to the labour safety offences would not reach the prescribed numbers at all times.

These registrations, certificates and/or licences are granted/renewed and maintained upon our satisfactory compliance with, among others, the applicable criteria set by the relevant government departments or organisations. Such criteria may include the maintenance of certain financial requirements including our working capital level. These registrations and/or certificates may only be valid for a limited period of time and may be subject to periodic reviews and renewals by government

## RISK FACTORS

authorities or relevant organisations. We cannot assure you that all these required registrations, certificates or licences can be maintained or obtained/renewed in a timely manner or at all. Any changes in the existing policies by government authorities in relation to the construction industries to which we provide our services may result in our failure to obtain or maintain such relevant registrations, certificates and/or licences. If we cannot obtain and/or renew these registrations, certificates and/or licences, we may have to temporarily suspend the relevant businesses operated by us, which would have a material adverse effect on our business and results of operations.

### **Our liquidity position may be adversely affected if the progress payment or the retention money is not paid to us on time or in full**

We normally apply for progress payments each month, and subsequently receive progress payments from our customers. A progress payment is generally made monthly by reference to the value of works done in that month. A portion of the contract value (which is generally capped at 5% of the total contract value) is usually withheld by our customers as retention money. As at 31 March 2015, 31 March 2016 and 31 August 2016, retention receivables of approximately HK\$37.9 million, HK\$33.1 million and HK\$35.5 million respectively were retained by our customers.

We rely on the cash inflow from our customers to meet our suppliers and subcontractors payment obligations, which provide us with construction materials and subcontracting services to complete our RMAA and fitting-out works. Progress payments will not always be paid to us on time or in full. We may experience significant cash flow mismatch when there is a significant timing difference between making payments to our suppliers and subcontractors and receiving payments from customers. The retention money or any future retention money may not be paid by our customers to us on a timely or in full basis due to the examination process of completed works, which may give rise to disputes. When there is any significant delay in the examination process or when a dispute arises with respect to the works completed, it may result in payment delays. Further, our customers may make changes to the original design or require additional services through variation orders. However, the additional works carried out by us may not be fully covered under the scope of variation orders set out in the original contract terms. There are occasions that additional fees cannot be determined or agreed upon with our customers generally throughout the various stages of the project, thus we may only receive part of the progress payment during the course of the project. Any failure by our customers to make payments on time or in full may have an adverse effect on our future liquidity position. If we are not able to maintain a sufficient amount of working capital and cash flow for meeting these cost requirements, our capacity to undertake new projects may be limited accordingly, our financial performance and results of operations may also be adversely affected.

Our customers usually release half of the retention money to us upon completion of works under the contract and release the remaining half to us upon the expiration of the defect liability period. Our Directors believe that negotiations on the final contract sum between our customers and us during the preparation of final accounts and exchange of documents among our project staff and our customers' representatives to substantiate the proposed final contract sum are common in the construction industry which, as a result, may lead to a time gap between the completion of the work and the final completion of the construction project. If our customers do not release the retention money to us in a timely manner, our financial performance and cash flows could be materially and adversely affected.

## RISK FACTORS

The credit terms in relation to the settlement amounts due from our customers for the works completed by us vary from contract to contract. Such credit terms may make reference to the payment certificate date or payment application date, with settlements typically ranging from 7 to 45 days from the invoice date, depending on the terms of individual contracts. Our trade receivables amounted to approximately HK\$21.7 million, HK\$15.6 million and HK\$19.0 million as at 31 March 2015, 31 March 2016 and 31 August 2016 respectively. We have not written off any receivables as uncollectible during the Track Record Period. However, there is no assurance that the financial position of our customers will remain healthy in the future. If our customers experience any financial distress or are unable to settle their payments due to us or release the retention money to us in a timely manner or at all, our financial condition and results of operations could be materially and adversely affected.

### **Cash flow of construction project may fluctuate**

Net cash outflows are normally recorded in the early stage of the works when we are required to pay certain set-up expenditures for most of our construction projects. Accordingly, we have to commit a certain amount of cash and other resources prior to receiving any payments and thus, we typically incur significant costs at the beginning of projects. Progress payments will be paid after our construction works have started and will be certified by our customers or their representatives. Accordingly, the cash flows for a particular project will turn into cumulative net inflows gradually as the construction works progress. Please refer to the paragraphs headed “Business — Our operation” in this prospectus for further details.

If we start a number of projects simultaneously, which require substantial initial set-up costs, our cash flow position may be adversely affected.

### **Our historical results may not be indicative of our future revenue and profit margin**

Given that our construction business is project-based, and that our fees and profit margins in respect of the relevant construction projects are dependent on the price of our tender, which may be affected by factors that are specific to the project, such as the length of the contract period and the expected costs of the construction works, there is no assurance that we will always be able to maintain similar levels of profitability as those during the Track Record Period.

For the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, our gross profit amounted to approximately HK\$17.4 million, HK\$30.2 million and HK\$12.6 million respectively and our gross profit margin amounted to approximately 10.7%, 10.8% and 13.3% respectively. We may not be able to maintain our historical gross profit and gross profit margin for various reasons, including but not limited to, our Group’s ability to devise cost saving construction processes which are accepted by our customers, timing of recognition of cost and revenue from different construction stages and the outcome of the negotiation of value of variation works or final accounts with our customers. For detailed analysis of our Group’s gross profit and gross profit margin, please refer to the paragraphs headed “Financial Information — Comparison of results of operations” in this prospectus.

Further, for the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, our revenue amounted to approximately HK\$163.4 million, HK\$279.7 million and HK\$95.2 million respectively and our net profits amounted to approximately HK\$7.8 million, HK\$15.0 million and HK\$6.3 million respectively.

## **RISK FACTORS**

The trends of our Group's historical financial information are only an analysis of our past performance. It does not have any positive implication, nor would it necessarily reflect our future financial performance, which will largely depend on our capability to secure new contracts and control our costs and expenditures and project implementation. Profit margins and income of our Group's construction projects may fluctuate from project to project, and the historical revenue from our construction projects may not be indicative of our future revenue or profitability. Prospective investors should be aware of our Group's risk of failure to secure future contracts when considering our Group's financial results.

### **Construction litigation and disputes may adversely affect our Group's performance**

Owing to the nature of our business, we are exposed to risks arising from disputes with our customers, subcontractors, workers and other parties concerned with our projects for various reasons. Such disputes may be in connection with the delivery of substandard works, late completion of works, labour compensations or personal injuries in relation to the works. For example, contractual claims may arise regarding the payment of outstanding contract fees with our subcontractors, and personal injuries compensation claims may arise in relation to any industrial accidents happened in our construction sites. Please refer to the paragraphs headed "Business — Litigation and potential claims" in this prospectus for further information on the disputes or litigation we encountered during the Track Record Period. As at the Latest Practicable Date, our Directors estimate that our Group will be subject to (i) an aggregate amount of claims of no less than HK\$12.6 million for pending civil litigations, potential employees' compensation claims and potential personal injury claims, which will be covered by the insurance policies and/or our subcontractor; and (ii) a total amount of penalty of approximately HK\$80,000 for the pending criminal litigations. These pending civil litigation, criminal litigation, potential employees' compensation and personal injury cases may adversely affect the financial position of our Group.

Our management's attention and internal resources may be significantly diverted to handle of such contractual disputes, litigations and other legal proceedings, which can be both costly and time consuming. Regardless of the merits of the case, these disputes may damage our relationship with the relevant customers, suppliers, subcontractors or workers, which may affect our reputation in the construction industry, thus adversely affect our business operations, financial results and profitability.

### **The price of our variation works may not be clearly determined**

During the course of implementation of a project, our customers may give us "variation orders" and request us to change or modify the scope of works or to perform works beyond the scope of the original contracts from time to time. The terms of these variation orders have to be agreed upon between our Group and the customer's authorised representatives based on, among others, the general principle that if any additional works are to be carried out in the same or similar nature to (and executed under the same or similar conditions and circumstances) any item of work already set out and priced in the original contract, these additional works shall be valued at the same rate set out in the original contract. However, if the additional works are not the same or similar in the manner set out above or the items of the additional works are not included in the original contracts and our Group and the customers and/or their authorised representatives fail to reach an agreement on the rate for carrying out the variation works, the customers and/or their authorised representatives would fix the rate that they unilaterally

## RISK FACTORS

think reasonable. If our Group disagrees on such rates, contractual disputes with our customers may arise. Our results of operation, liquidity position and financial position may therefore be adversely affected.

**Our contracts generally have provisional and/or re-measurement items of works and our customers may cancel certain contract works by variation orders resulting in the total contract sum of that project being reduced, which would adversely affect our operations and financial results**

Our contracts generally have provisional and/or re-measurement items of works. If the provisional items of works are not required during the construction, and/or after re-measurement, the actual quantities required for the re-measurement items of works are reduced, the relevant prices included in the contract sum shall be deducted accordingly.

Furthermore, our contracts generally have variation order clauses which empower our customer or its architect to give instructions to vary the contract works which we are generally obliged to follow. Such variation orders could be an addition, modification or cancellation of the contract works. For any contract works to be cancelled, the total contract sum of that project is to be deducted according to the rates and prices of such contract works as stated in the schedule of rates.

There is no assurance that there will not be any cancellation/reduction of contract works by our customers in the future and our customers may cancel/reduce the contract works in a material manner. If our customer cancels/reduces the contract works in a material manner, resulting in a significant reduction of the total contract sum of that particular project, our operations and financial results would be adversely affected.

**We have records of non-compliance with certain Hong Kong regulatory requirements**

We have previously been involved in a number of non-compliance matters on various occasions, including non-compliance with (i) Construction Industry Council Ordinance; and (ii) Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations. For details, please refer to the paragraphs “Business — Non-compliance” in this prospectus. If the relevant government authorities take enforcement actions against the relevant subsidiary of our Group and/or our Controlling Shareholders fail to indemnify us to a sufficient extent or at all, we may be required to pay a penalty or incur other liabilities, and our reputation, financial condition and results of operations may be adversely affected.

**Our business strategy, in particular our expansion of customer base and strengthening of our scope of services may not be successful or achieved within the expected time frame or estimated budget**

Our Group intends to implement the business strategies set out in the paragraphs headed “Business — business strategies” in this prospectus. In particular, we intend to expand our customer base and strengthen our scope of services by making (i) an application to the Housing Authority for the registration as a Group M1 (Maintenance) building contractor and (ii) an application to the Building Authority for the registration as a Registered Specialist Contractor (Sub-register of Site Formation Works Category) respectively. However, our business strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that our Group will be

## RISK FACTORS

able to successfully maintain or increase our market share, grow our business or expand our services and customer base successfully after deploying our Group's management and financial resources. Any failure to maintain our current market position or implement our business strategies could materially and adversely affect our business, financial condition and the results of operations.

### **We rely on key management personnel**

Our success and growth is, to a large extent, attributable to the continued commitment of our executive Directors and our senior management team and our capability to identify, hire and retain suitable and qualified employees, including management personnel with the necessary industry expertise as described in the section headed "Directors, senior management and employees". Our Directors and members of senior management, in particular, our executive Directors, are important to us as they have extensive experience and business connections in Hong Kong's construction industry. Any unanticipated departure of our Directors and/or our senior management team without appropriate replacement may have a material adverse impact on our business operations and profitability.

### **Our insurance policies may not be sufficient to cover liabilities arising from claims and litigation and our insurance premium may increase from time to time**

We have taken out insurance policies in line with industry practice, which are also generally required by our customers to cover our business operations. However, there are certain types of losses for which insurance coverage is not generally available on commercial terms acceptable to us, or at all. Examples of these include the insurance against losses suffered due to business interruptions, earthquakes, floodings or other natural disasters, wars, terrorist attacks or civil disorders, or losses or damages caused by industrial actions.

If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance covers, we may have to bear such losses, damages or liabilities ourselves. In such cases, our business operations and financial results may be adversely affected. Even if we have insurance policies, our insurers may not fully compensate us for all potential losses, damages or liabilities regarding our properties or our business operations.

We also cannot guarantee that the insurance premiums payable by us in relation to the implementation of projects will not increase in future. For the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, our total insurance expenses amounted to approximately HK\$2.7 million, HK\$5.5 million and HK\$1.0 million respectively. Any further increases in insurance costs (such as an increase in insurance premiums) or reductions in insurance coverage may materially and adversely affect our business operations and financial results.

### **Dividends declared in the past may not be indicative of the future dividend**

A member of our Group declared interim dividends of nil, HK\$1.0 million and nil respectively for the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016. They were settled and financed by our internal resources. We intend to declare a special dividend of HK\$22.0 million to our Shareholders before the Listing. Of this total, approximately HK\$18.6 million is expected to be offset against the amounts due from directors (amounted to approximately HK\$18.6 million as at 31 December 2016) with the remaining HK\$3.4 million in cash.

## RISK FACTORS

Any declaration of dividends proposed by our Directors after the Listing and the amount of such dividends will depend on various factors. These factors include our results of operation, financial conditions, future prospects and other factors which our Directors may then consider to be important. For further details of the dividend of our Company, please see the paragraphs headed “Financial information — Dividend” in this prospectus. Dividends declared in the past are not indicative of our future dividend. We cannot guarantee if and when dividends will be paid in the future.

### **Our Group’s operations may be affected by inclement weather conditions and are subject to other construction risks**

Most of our business operations are conducted outdoors and are susceptible to inclement weather. If the inclement weather persists or natural disasters occur, we may be prohibited from performing work at our construction sites, and as a result, we may not be able to meet the specified time schedule. If we have to halt operations during inclement weather or natural disasters, we may continue to incur operating expenses such as labour costs. If our project is delayed and the terms of the contract do not accommodate for such delays or our customers do not grant us with a sufficient time extension for the completion, we may be liable to pay for any liquidated damages to our customers according to the relevant contract terms, which will adversely affect our financial results.

### **We are subject to interest rate risk**

We have bank borrowings, bank overdrafts and obligation under finance lease of approximately HK\$21.5 million, HK\$40.0 million, and HK\$51.2 million as at 31 March 2015, 31 March 2016 and 31 August 2016 respectively which are subject to interest rate risks. Some of the banking facilities carry a floating interest rate and our Group is subject to the cash flow interest rate risk. The ranges of effective interest rates on bank borrowings as at 31 March 2015, 31 March 2016 and 31 August 2016 (which were also equal to contracted interest rates) were ranged from 5.5% to 6.5%, 2.2% to 6.1% and 2.2% to 6.1% per annum, respectively. During the Track Record Period and up to the Latest Practicable Date, our Group has not hedged any such cash flow interest rate risks.

### **We may be liable to reimburse the banks or insurance companies for any claims on surety bonds**

In some of the contracts with our customers in the private sector, we need to provide surety bonds issued by banks or insurance companies when the projects are awarded to our Group. As at 31 March 2015, 31 March 2016 and 31 August 2016, the amount of surety bonds provided by our Group were approximately HK\$19.0 million, HK\$31.5 million and HK\$78.3 million respectively. Under a performance bond, if our Group fails to perform the contract satisfactorily, or under a demand bond if it is our customers’ view that our performance of the contracts is not satisfactory, our customers are entitled to ask the banks or insurance companies to pay to them compensation for financial losses incurred by our customers. Further, depending on the terms and conditions of the bonds, our Group may be required to reimburse the banks or insurance companies for the compensation paid. If this happens, it may have a material adverse impact on our financial conditions.

### **We may face warranty claims by our customers**

It is common industry practice that a warranty period is given by our Group to our customers during which we are responsible for rectifying all our works defects. The length of the warranty period depends on the works’ nature, for instance, we give a warranty period of five to seven years for our

## RISK FACTORS

painting works. During the Track Record Period, no material warranty claims were recognised. Please refer to the paragraphs headed “Business — Warranties” in this prospectus for further details of the warranties provided by our Group. If such a warranty claim, arises during the warranty period, we may need to spend a significant resources to rectify the defects. Our revenue, costs, financial conditions and growth potentials will be adversely affected.

### **RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE**

#### **We are subject to environmental liability**

Our business in Hong Kong is subject to the environmental regulations and guidelines issued by the Hong Kong Government, which apply to the operation of all construction projects in Hong Kong. Such regulations and guidelines may be revised by the Government from time to time to reflect the latest environmental needs. Any changes to such regulations and guidelines may increase our cost and burden in complying with them.

#### **Market conditions and trends in the construction industry and overall economy will affect our performance**

All of our operations and management were located in Hong Kong during the Track Record Period. The continued availability of large construction projects will affect the future growth and level of profitability of the construction industry in Hong Kong. The nature, extent and timing of such projects will, however, be determined by a variety of factors such as the land supply in Hong Kong, public housing policy, the Government’s budgets, the investment of property developers and the general conditions and prospects of Hong Kong’s economy. They may affect the availability of construction projects from the public sector, private sector or other institutional bodies.

Other than the Government’s public spending, other factors can affect the construction industry as well, such as cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. If there is any recession in Hong Kong, deflation or any changes in Hong Kong’s currency policy, or if the demand for construction works in Hong Kong deteriorates, our operations and profitability could be adversely affected.

#### **Our profitability may be affected by the shortage of labour and rising labour costs**

Construction works are generally labour intensive and we may encounter difficulties staffing our construction works. For any construction project, a large number of workers from various disciplines with different skills may be required.

According to the F&S Report, the construction industry in Hong Kong is suffering from a labour shortage, which is exacerbated by the ageing workforce and lack of skilled talent. The annual wage for a construction worker in Hong Kong increased from an estimated HK\$345,000 in 2010 to an estimated HK\$474,800 in 2015 representing a CAGR of approximately 6.6%, mainly due to the growing construction industry in Hong Kong and the shortage of experienced skillful labour, as many skilled construction workers are approaching the age of retirement while young people are reluctant to join.

## **RISK FACTORS**

There is no assurance that the supply of labour and average labour costs will be stable at all times. Labour intensive projects are more susceptible to labour shortages. Our subcontracting charges also include the labour costs of our subcontractors. When there is a significant increase in the cost of labour and we have to retain our labour (or our subcontractors retain their labour) by increasing their wages, our staff costs and/or subcontracting charges will increase and as a result, our profitability will be adversely affected. On the other hand, if we or our subcontractors fail to retain existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on schedule and may be subject to liquidated damages claims from our customers and/or incur losses.

### **We operate in a competitive environment**

The construction industry in Hong Kong is very competitive and has many participants. We generally consider other construction companies operating in Hong Kong to be our competitors as well as our business partners, in the construction business. New participants who possess appropriate skills, local experiences, necessary machineries and equipment, capital and are eligible for the grant of the requisite licences by the relevant regulatory bodies may enter the industry and compete with our Group. Intense competition may result in lower operating margins and loss of market shares, which may adversely affect our profitability and operating results.

### **Personal injuries, property damages or fatal accidents may occur at work sites**

Whilst we closely supervise and monitor our employees in the implementation of all such safety measures and procedures during the execution of works. However, we cannot guarantee that our employees, or those of our subcontractors will follow our safety measures and/or will not breach any applicable rules, laws or regulations. Personal injuries, property damage or fatal accidents may result if any such employees fail to follow the safety measures at our project sites. Any personal injuries and/or fatal accidents to the employees of our Group or our subcontractors may lead to claims or other legal proceedings against our Group. As at the Latest Practicable Date, our Group was subject to certain claims in relation to personal injuries, and such proceedings were still on-going. Further information regarding these claims is set out in the paragraphs headed “Business — Litigation and potential claims” in this prospectus.

Such claims may expose us to the risk of bearing higher insurance premiums in the future. They may also harm the reputation of our Group if they turn into high profile cases and become widely reported in the media or within the industry. If such incidents occur, our business prospects, reputation and results of operation may be adversely and materially affected.

### **Our future contracts may be caught by the proposed Security of Payment Legislation (“SOPL”) for the construction industry**

The Government is currently consulting on the SOPL which aims to cover all construction activities and maintenance, repair and renovation works in the public sector. In the private sector, only construction contracts relating to a “new building” as defined by the Building Ordinance of which the main contract has an original value in excess of HK\$ 5 million will be covered by the SOPL. Once the SOPL comes into effect, it will prohibit contract terms that make payment conditional upon the receipt of payment from a third party and payment periods of more than 60 calendar days for interim payments and 120 calendar days for final payments. Further, amounts due for construction works can be claimed

## RISK FACTORS

as statutory payment claims and parties may be granted the right to suspend the performance of works until the relevant payment is made. For more details in relation to the SOPL, please refer to the paragraphs headed “Laws and regulations — Laws expected to come into force which may impact our business — Security of Payment Legislation (“SOPL”) for the construction industry” in this prospectus.

In the event that our future contracts are caught by the SOPL, especially any potential contracts in the public sector after we obtain the M1 registration under the Maintenance Works Category in the List of Building Contractors approved by the Housing Authority, we will be required to pay the subcontractors within 60 calendar days for interim payments and 120 calendar days for final payments even before we are paid by our customers.

The passing of the SOPL exposes us to the risk that if multiple customers delay in payment simultaneously, we will need to pay our subcontractors interim and final payments within the specified periods under the SOPL. As we generally rely on the cash inflow from our customers to meet our payment obligations of our suppliers and subcontractors, a significant delay in payment may create pressure on our cash flows and even affect our financial capacity to undertake new projects.

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

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

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

### **RISKS RELATING TO THE PUBLIC OFFER**

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

Prior to the Public Offer, no public market for our Shares existed. Following the completion of the Public Offer, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure our investors that an active trading market for our Shares will develop or sustained after the Public Offer. In addition, we cannot assure our investors that our Shares will trade in the public market at or above the Offer Price subsequent to the Public Offer. The Offer Price for the Shares is expected to be fixed by the Price Determination Agreement, and may not be indicative of the market price of the Shares following the completion of the Public Offer. If an active trading market for our Shares does not develop or is not sustained after the Public Offer, the market price and liquidity of our Shares may be materially and adversely affected.

## RISK FACTORS

### **The trading price and volume of our Shares may be volatile, which may result in a substantial loss for our investors**

The trading price of our Shares may be volatile and may fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of our Shares, changes in securities analysts' (if any) estimates of our financial performance, investors' perceptions of our Group and the general investment environment, changes in laws, regulations and taxation systems which affect our operations, and general market conditions of the securities markets in Hong Kong. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

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

Further, there will be a gap of several days between pricing and trading of the Offer Shares. The Offer Price of our Shares is expected to be determined on the Price Determination Date while our Shares will not commence trading on the Stock Exchange until the Listing Date. As a result, investors may not be able to sell or otherwise deal in our Shares during the period between the Price Determination Date and the Listing Date and hence are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

### **Future disposal or perceived disposal by our existing Shareholders of a substantial number of our Shares in the public market may materially and adversely affect the prevailing market price of our Shares**

Disposal of substantial amounts of our Shares in the public market after the completion of the Public Offer, or the perception that disposal may occur and adversely affect the market price of our Shares and materially impair our future ability to raise capital through offerings of our Shares. There is no assurance that our major Shareholders will not dispose of their shareholdings. Any significant disposal of our Shares by any of the major Shareholders may materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the market price of our Shares.

### **Investors may experience difficulties enforcing their shareholders' rights because our Company is incorporated in the Cayman Islands, and the protection of minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions**

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles of Association, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be

## **RISK FACTORS**

located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on the protection of minority Shareholders is set out in Appendix III to this prospectus.

### **RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS**

#### **Investors should read the entire prospectus and should not rely on any information contained in press articles or other media coverage regarding us and the Public Offer**

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us and the Public Offer. Prior to the publication of this prospectus, there may be press and media coverage regarding the Public Offer and us. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information to the press or media and do not accept any responsibility for such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and our investors should not rely on such information.

#### **Certain facts, forecasts and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable**

Certain facts, forecast and other statistics in this prospectus are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Selling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors 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, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

#### **Forward-looking statements contained in this prospectus are subject to risks and uncertainties**

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ

## **RISK FACTORS**

materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed “Risk factors” in this prospectus. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER**

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

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

### **INFORMATION ON THE PUBLIC OFFER**

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus. This prospectus is published solely in connection with the Public Offer. Details of the terms of the Public Offer are described in the section “Structure and Conditions of the Public Offer” in this prospectus and in the related Application Forms. So far as the Public Offer is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Selling Shareholders, the Sole Sponsor, the Joint Lead Managers (for themselves and on behalf of the Underwriters), any of their respective directors (where applicable) or any other parties involved in the Public Offer.

### **OFFER SHARES ARE FULLY UNDERWRITTEN**

This prospectus is published in connection with the Public Offer for which Alliance Capital Partners Limited is the Sole Sponsor. The Public Offer is fully underwritten by the Underwriters. For further information about the Underwriters and underwriting arrangements, please refer to the section headed “Underwriting” in this prospectus.

### **RESTRICTIONS ON SUBSCRIPTION OF THE OFFER SHARES**

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

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

The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular,

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER**

the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC or the United States, except in compliance with the relevant laws and regulations of each of such jurisdictions.

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

### **APPLICATION FOR LISTING ON GEM**

Our Company has applied to the Listing Division for the listing of, and permission to deal in, the Shares in issue and which are to be issued or may be issued pursuant to the Capitalisation Issue and the Public Offer (including any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) and as otherwise described herein on GEM.

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

Under section 44B(1) of the Companies (WUMP) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Public Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of our Company in the hands of the public. A total of 267,000,000 Offer Shares, representing approximately 33.4% of the enlarged issued share capital of our Company immediately following completion of the Capitalisation Issue and the Public Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) will be made available under the Public Offer.

Only securities registered on the register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential applicants for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, the Selling Shareholders, our Directors, the Sole Sponsor, the Joint Lead Managers (for themselves and on behalf of the Underwriters), their respective directors or any other person involved in the Public

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER**

Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their rights thereunder.

### **HONG KONG BRANCH SHARE REGISTRAR, REGISTRATION AND STAMP DUTY**

The principal register of members of our Company will be maintained by our principal share registrar, Estera Trust (Cayman) Limited, in the Cayman Islands and a branch register of members of our Company will be maintained by our Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, in Hong Kong. Unless our Directors otherwise agreed, all transfer and other documents of title of Shares must be lodged for registration with, and registered by our Company's Hong Kong branch share registrar and transfer office.

All the Shares will be registered on our Company's branch register of members in Hong Kong. Only Shares registered on our Company's branch register of members in Hong Kong may be traded on GEM. Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

### **STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER**

Details of the structure of the Public Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Public Offer" in this prospectus.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

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

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

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

### **COMMENCEMENT OF DEALING IN THE SHARES**

Dealings in the Shares on GEM are expected to commence on or about Monday, 13 March 2017. Shares will be traded in board lots of 10,000 Shares each.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER**

### **LANGUAGE**

If there is any inconsistency between the English version of this prospectus and the Chinese version of this prospectus, the English version of this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

### **CURRENCY TRANSLATIONS**

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

US\$1.00: HK\$7.80

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

### **ROUNDING**

Certain amounts or percentage figures included in this prospectus 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. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

<b>DIRECTORS AND PARTIES INVOLVED IN THE PUBLIC OFFER</b>
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**DIRECTORS**

<b>Name</b>	<b>Residential Address</b>	<b>Nationality</b>
<i>Executive Directors</i>		
Mr. Leung Ka Ho, Raymond (梁家浩)	Flat B, 47/F, Block 8 Metro Town 8 King Ling Road Tseung Kwan O New Territories Hong Kong	Chinese
Mr. Ho Chi Kwan (何智崑)	Room B, 4/F Block 1, Pokfulam Garden 180 Pokfulam Road Pok Fu Lam Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Leung Hung Kwong, Derrick (梁雄光)	Flat 1, 8/F, Block A Mount Parker Lodge 10 Hong Pak Path Quarry Bay Hong Kong	Chinese
Mr. Moy Yee Wo, Matthew (梅以和)	Flat G, 25/F, Block 3 Bellagio 33 Castle Peak Road New Territories Hong Kong	Chinese
Mr. Yau Sze Yeung (邱思揚)	Room C, 35/F, Block 2 Royal Ascot Shatin New Territories Hong Kong	Chinese

For further information, please refer to the section headed “Directors, senior management and employees” in this prospectus.

## DIRECTORS AND PARTIES INVOLVED IN THE PUBLIC OFFER

### PARTIES INVOLVED IN THE PUBLIC OFFER

#### Sole Sponsor

#### **Alliance Capital Partners Limited**

*A licensed corporation under the SFO and permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activity as defined under the SFO*

Room 1502–1503A  
Wing On House  
71 Des Voeux Road Central  
Central  
Hong Kong

#### Joint Lead Managers

#### **Alliance Capital Partners Limited**

Room 1502–1503A  
Wing On House  
71 Des Voeux Road Central  
Central  
Hong Kong

#### **Upbest Securities Company Limited**

2/F Wah Kit Commercial Centre  
302 Des Voeux Road Central  
Hong Kong

#### Legal adviser to our Company

*As to Hong Kong law*

#### **TC & Co.**

*Solicitors, Hong Kong*  
Units 2201–3  
22/F, Tai Tung Building  
8 Fleming Road  
Wanchai  
Hong Kong

*As to Hong Kong Law*

#### **Ms. Ng Wing Shan Queenie**

*Barrister-at-law*  
Rooms 2203 A&B, Fairmont House  
8 Cotton Tree Drive  
Central  
Hong Kong

*As to Cayman Islands law*

#### **Appleby**

2206–19 Jardine House  
1 Connaught Place  
Central  
Hong Kong

## DIRECTORS AND PARTIES INVOLVED IN THE PUBLIC OFFER

<b>Legal adviser to the Sole Sponsor and the Underwriters</b>	<i>As to Hong Kong law</i> <b>Luk &amp; Partners</b> Unit 2001, Level 20 One International Finance Centre 1 Harbour View Street Central Hong Kong
<b>Auditor and reporting accountant</b>	<b>Deloitte Touche Tohmatsu</b> <i>Certified Public Accountants</i> 35/F One Pacific Place 88 Queensway Admiralty Hong Kong
<b>Internal control consultant</b>	<b>Baker Tilly Hong Kong Risk Assurance Limited</b> 2nd Floor 625 King's Road North Point Hong Kong
<b>Tax consultant</b>	<b>Edwin Yeung &amp; Company (CPA) Limited</b> <i>Certified Public Accountants</i> 12th Floor Lucky Building 39 Wellington Street Central Hong Kong
<b>Receiving Bank</b>	<b>Bank of China (Hong Kong) Limited</b> Bank of China Tower 1 Garden Road Hong Kong
<b>Selling Shareholders</b>	<b>Diamondfield Holdings Limited</b> Vistra Corporate Services Centre Wickhams Cay II Road Town, Tortola VG1110 British Virgin Islands  <b>Sharp Talent Holdings Limited</b> Vistra Corporate Services Centre Wickhams Cay II Road Town, Tortola VG1110 British Virgin Islands

## CORPORATE INFORMATION

<b>Headquarter and principal place of business in Hong Kong</b>	Unit B1, 8/F Yip Fung Industrial Building 28-36 Kwai Fung Crescent Kwai Chung New Territories Hong Kong
<b>Registered office in the Cayman Islands</b>	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Company's website address</b>	<a href="http://www.chdev.com.hk">www.chdev.com.hk</a> <i>(information on this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Mr. Chung Kiu Pan <i>Certified Public Accountant</i> Flat 6B, Block 8 Rhythm Garden Choi Hung Kowloon Hong Kong
<b>Compliance officer</b>	Mr. Leung Ka Ho, Raymond Flat B, 47/F, Block 8 Metro Town 8 King Ling Road Tseung Kwan O New Territories Hong Kong
<b>Authorised representatives</b>	Mr. Leung Ka Ho, Raymond Flat B, 47/F, Block 8 Metro Town 8 King Ling Road Tseung Kwan O New Territories Hong Kong  Mr. Chung Kiu Pan Flat 6B, Block 8 Rhythm Garden Choi Hung Kowloon Hong Kong

## CORPORATE INFORMATION

<b>Audit committee</b>	Mr. Yau Sze Yeung ( <i>Chairman</i> ) Mr. Moy Yee Wo, Matthew Mr. Leung Hung Kwong, Derrick
<b>Remuneration committee</b>	Mr. Leung Hung Kwong, Derrick ( <i>Chairman</i> ) Mr. Yau Sze Yeung Mr. Moy Yee Wo, Matthew
<b>Nomination committee</b>	Mr. Moy Yee Wo, Matthew ( <i>Chairman</i> ) Mr. Leung Hung Kwong, Derrick Mr. Yau Sze Yeung
<b>Safety compliance committee</b>	Mr. Leung Hung Kwong, Derrick ( <i>Chairman</i> ) Mr. Leung Ka Ho, Raymond Mr. Ho Chi Kwan
<b>Cayman Islands principal share registrar and transfer office</b>	Estera Trust (Cayman) Limited P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
<b>Compliance adviser</b>	Alliance Capital Partners Limited Room 1502-1503A Wing On House 71 Des Voeux Road Central Central Hong Kong
<b>Principal banker</b>	Bank of China (Hong Kong) Limited 14th Floor, Bank of China Tower 1 Garden Road Hong Kong

## INDUSTRY OVERVIEW

*The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information is derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Selling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives or any other person involved in the Public Offer. Neither our Group, the Selling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives nor any other person involved in the Public Offer make any representation as to the accuracy, completeness or fairness of such information from official government publications.*

*The information extracted from the commissioned report from Frost & Sullivan reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to F&S Report should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information extracted from the commissioned report from Frost & Sullivan are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors confirm that after taking reasonable case, there is no adverse change in the market information since that the date of the F&S Report.*

## SOURCE OF INFORMATION

Our Group engaged Frost & Sullivan to conduct an independent assessment of Hong Kong's Renovation, Maintenance, Alteration and Addition (RMAA) market and has agreed to pay a fee of approximately HK\$400,000 for the F&S Report, which our Directors consider that such fee reflects market rates.

Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Frost & Sullivan, with four offices in Hong Kong and the PRC, was direct access to the most knowledgeable experts and market participants in the construction industry.

## INDUSTRY OVERVIEW

### ASSUMPTIONS ADOPTED IN THE F&S REPORT

In compiling and preparing the F&S Report, Frost & Sullivan adopted the following methodologies to collect multiple sources, validate the data and information collected, and cross-check each respondent's information and views against those of others: (i) primary research, which involved discussing the status of the industry with leading industry participants and industry experts; and (ii) secondary research, which involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

The projected total market size was obtained from historical data analysis plotted against macroeconomic data as well as related industry specific drivers. The F&S Report was compiled based on the below assumptions:

- the economies of Hong Kong are assumed to maintain a steady growth across the forecasted period;
- the social, economic, and political environment of Hong Kong is likely to remain stable during the forecast period; and
- market drivers like the growth of Hong Kong nominal GDP, increase in Hong Kong's construction market value and favourable government policies will drive the growth of the RMAA market in Hong Kong as expected.

### OVERVIEW OF HONG KONG RENOVATION, MAINTENANCE, ALTERATION AND ADDITION (RMAA) MARKET

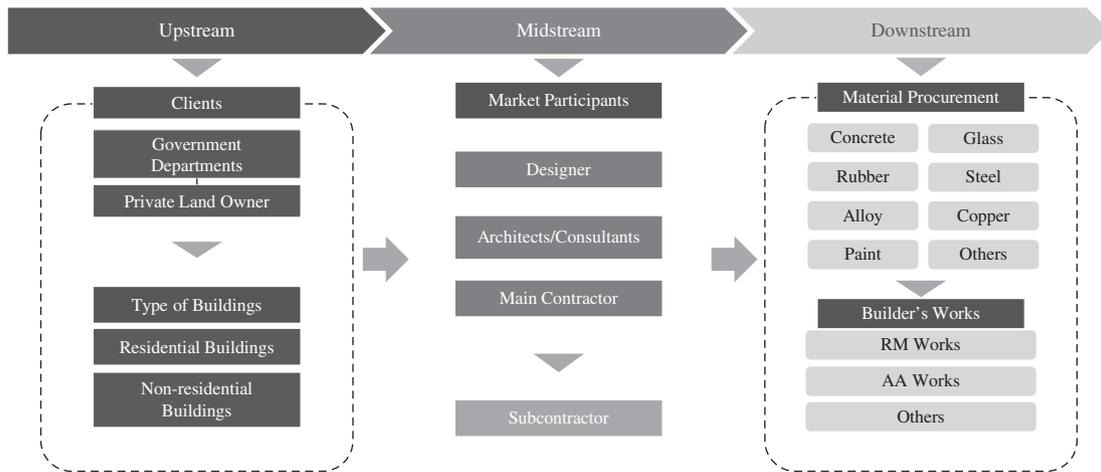
RMAA services include renovation and maintenance works as well as alteration and addition works for the existing buildings in Hong Kong. The renovation and maintenance work services include the re-roofing, external and internal walls refurbishment, floor rescreeding and retiling, spalling repair, repairing and replacing windows, door repairing, painting works, plumbing and drainage works, etc. Alteration and addition works to existing buildings involve but are not limited to the design of new structural works, checking of structural adequacy of existing constructions, and/or alteration and addition of structures like floors, stairs, attic, etc with fitting-out works to make interior space suitable for occupation. The addition and alteration works services include demolition, alteration, fitting-out works, changes in facilities configuration; change of use of buildings; fabrication, modification, removal, or installation of hardware and equipment; erection, relocation, or removal of partitions, doors, and windows; and changes in type of finishes and flooring materials; construction of a swimming pool etc.

#### *Value chain Analysis*

The demand for RMAA services usually originated from owners of buildings which include (i) public sector (government departments and statutory bodies); and (ii) private sector (non-government and non-statutory bodies).

## INDUSTRY OVERVIEW

### Value chain of RMAA Market (Hong Kong)



*Source: F&S Report*

RMAA service is a type of construction works. The major types of clients for RMAA services include government departments or private land owners.

The tender process of the RMAA projects in the public sector is conducted through public bidding. In the public sector, only the companies on the tender list for public construction projects can join the bid. The RMAA projects' tender process in the private sector can be divided into open tender and selective tender. Open tenders are usually advertised on newspapers and are open to public. Selective tenders are usually done via invitations by clients or construction consultants. In the private sector, most of the companies join the bid of RMAA projects are registered as Registered General Building Contractor.

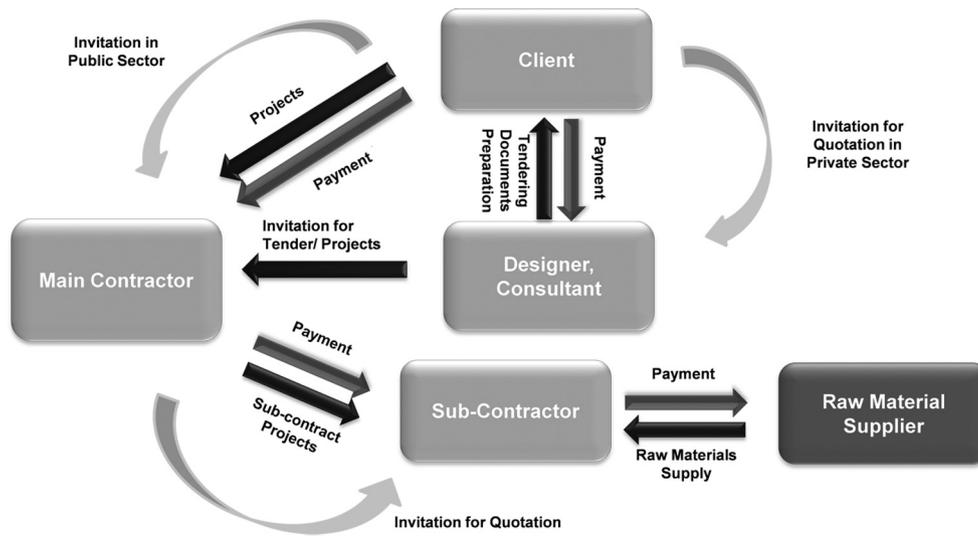
#### *Business model*

In the RMAA market of Hong Kong, there are two main sources where RMAA service providers get their project deals from: (1) client in the public sector send out invitations for tender to main contractors; (2) designer or consultant in the private sector who is hired by the client send out invitations for tender to main contractors after evaluating the project. Main contractors will then engage subcontractors appearing on their preferred tenderer lists to work on their development projects.

RMAA service providers then produce tender prices based on the material and labour costs and period and project spans after considering competition, site conditions, etc. RMAA service providers pay their suppliers for the materials, and they receive payment from the client by way of progress payments and final settlements.

# INDUSTRY OVERVIEW

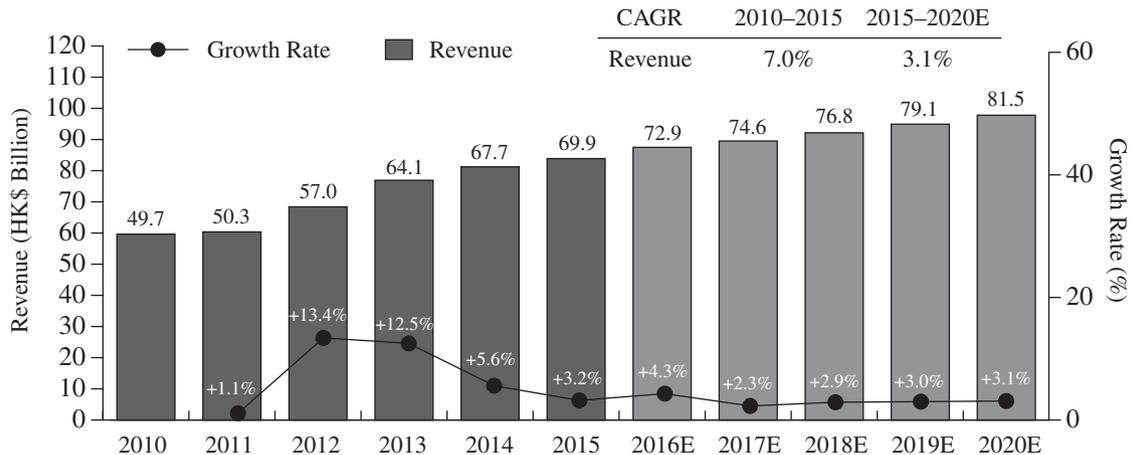
## Business Model of RMAA Market (Hong Kong)



Source: F&S Report

## MARKET OVERVIEW OF RMAA MARKET IN HONG KONG

### Revenue of RMAA Market in Hong Kong



Source: F&S Report

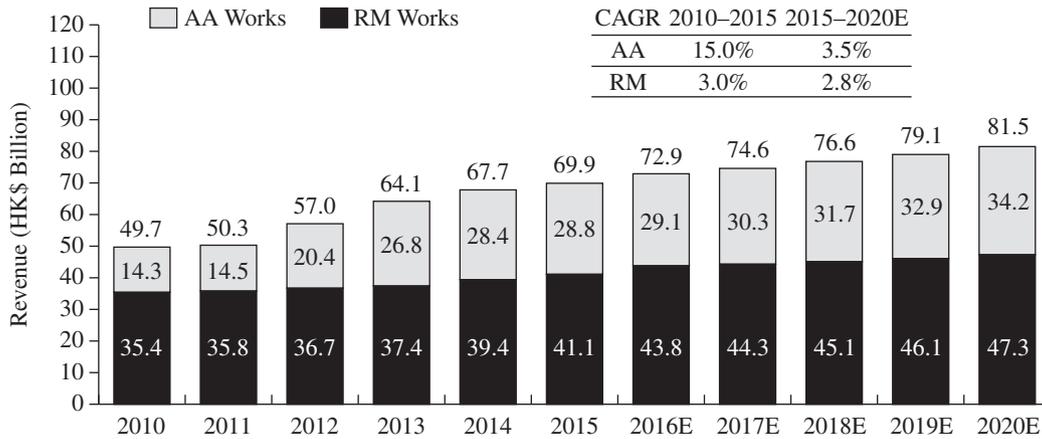
The RMAA market of Hong Kong has been enjoying a steady growth in recent years. From 2010 to 2015, the revenue of RMAA market of Hong Kong increased from HK\$49.7 billion in 2010 to HK\$69.9 billion in 2015, representing a CAGR of 7.0%.

In the forecast period from 2016 to 2020, due to the steady growth in the Hong Kong's construction market and an increasing public awareness on building safety since the Buildings Department in Hong Kong issued the Mandatory Building Inspection Scheme in 2012, which showed that the owners of buildings aged 30 years or above (except domestic buildings not exceeding 3 storeys) and served with statutory notices are required to appoint an Registered Inspector to carry out the prescribed inspection and supervise the prescribed repair works found necessary of the common parts,

## INDUSTRY OVERVIEW

external walls and projections or signboards of the buildings, the demand of RMAA services is likely to continue to promote the further development of Hong Kong’s RMAA market. The revenue of the RMAA market in Hong Kong is expected to reach HK\$81.5 billion by 2020, with a CAGR of 3.1% from 2015. The decrease in growth rate in the forecast period is mainly caused by the decreased growth rate of the Hong Kong’s nominal GDP from 2015 to 2020, instead of any inherent weakness of the RMAA market.

### Revenue of RMAA Market Breakdown by RM Works and AA Works



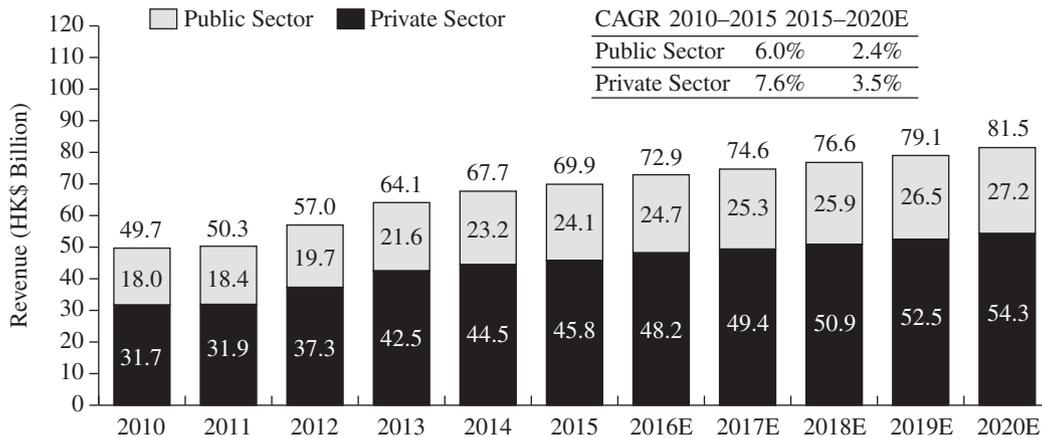
Source: F&S Report

The revenue of renovation and maintenance works (“**RM works**”) in Hong Kong’s RMAA market increased from HK\$35.4 billion in 2010 to HK\$41.1 billion in 2015, representing a CAGR of 3.0%. In terms of revenue, the alteration and addition works (“**AA works**”) in Hong Kong took up 41.2% of the total revenue of Hong Kong RMAA market in 2015. The revenue of AA works in Hong Kong’s RMAA market grew at a faster rate, at a CAGR of 15.0% from 2010 to 2015.

During the forecast period, the revenue of RM works is likely to enjoy a steady growth. By the end of 2020, the revenue of RM works in Hong Kong’s RMAA market is likely to reach HK\$47.3 billion, with a CAGR of 2.8% from 2015. In addition, the proportion of AA works is expected to increase slightly and reach 42.0% of total revenue in RMAA market in 2020. Accordingly, the revenue of AA works in Hong Kong RMAA’s market is projected to reach HK\$34.2 billion, with a CAGR of 3.5% from 2015.

## INDUSTRY OVERVIEW

### Revenue of RMAA Market Breakdown by Public and Private Sectors

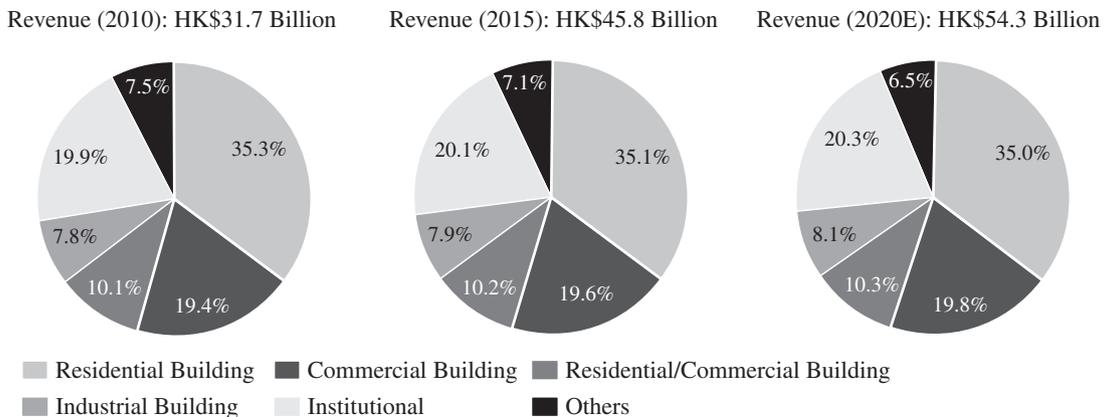


Source: F&S Report

The public sector mainly includes the government RMAA projects led by government departments such as the Housing Department and the Architectural Services Department. The revenue of RMAA market in the public sector increased from HK\$18.0 billion in 2010 to HK\$24.1 billion in 2015, with a CAGR of 6.0%. The private sector enjoys the majority share of the entire RMAA market. The revenue of RMAA market contributed by the private sector took up 65.5% of the total revenue of RMAA market in 2015. The revenue of RMAA market contributed by the private sector increased from HK\$31.7 billion in 2010 to HK\$45.8 billion in 2015, with a CAGR of 7.6%.

In the forecast period from 2016 to 2020, the revenue of the RMAA market to be contributed by the public sector is likely to reach HK\$27.2 billion in 2020, with a CAGR of 2.4% from 2015. Moreover, the private sector is expected to maintain a steady growth. By the end of 2020, the revenue of the RMAA market to be contributed by the private sector is likely to reach HK\$54.3 billion in 2020, with a CAGR of 3.5%.

### Revenue of RMAA Market Breakdown by Use of Development in Private Sector



Source: F&S Report

## INDUSTRY OVERVIEW

In 2010, the revenue of residential building for RMAA service in Hong Kong took the largest share of 35.3% in the total private sector of Hong Kong RMAA service market, and the institutional sector took the second largest share of 19.9%. Meanwhile, the revenue of commercial building sector, residential/commercial building sector and industrial building took the shares of 19.4%, 10.1% and 7.8%, respectively.

The market share of RMAA service in institutional sector show a steady growth from approximately 19.9% in 2010 to 20.1% in 2015, with a CAGR of 7.9%. In the future, each segment in private sector of Hong Kong RMAA service market is likely to have a stable development. By the end of 2020, the revenue of residential building sector, commercial building sector, residential/commercial building sector, industrial building and institutional sector are likely to take shares of 35.0%, 19.8%, 10.3%, 8.1%, and 20.3%, respectively.

### COMPETITIVE LANDSCAPE

#### Competitive Landscape of RMAA Market by Revenue (Hong Kong), 2015

Ranking	Company	Main Business	Market Share
1	Company A	Building Construction, Construction Related Services, Construction IT, Building Materials Trading and Property Development	1.7%
2	Company B	Construction, design-and-build, interior fitting-out, renovation, heritage restoration, as well as maintenance of public housing, residential and institutional buildings	1.5%
3	Company C	Maintenance, repair, alteration, addition and refurbishment services	1.5%
4	Company D	Line of business includes building renovation, addition and alteration and other large scale fitting-out projects	1.2%
5	Company E	Construction of building, Building activities to keep, restore and improve the facilities of buildings and surroundings	1.1%
	<b>Top 5</b>		<b>7.0%</b>
	Others		<u>93.0%</u>
	<b>Total</b>		<b><u><u>100.0%</u></u></b>

Source: F&S Report

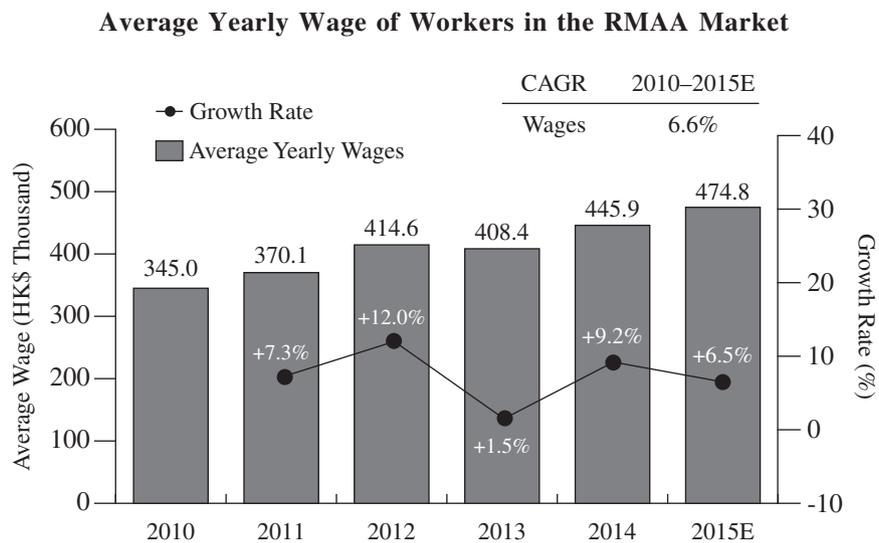
## INDUSTRY OVERVIEW

The RMAA market in Hong Kong is highly competitive with over 6,000 service providers specialising in various segments including private buildings, public facilities, residential buildings etc. According to the Buildings Department, there are over 6,000 registered minor works contractors (Company) in 2016, providing services in relation to alteration and addition works, repair works, works relating to signboards, drainage works, works relating to structures and amenities, finishes works and demolition works.

The overall RMAA market in Hong Kong is well established and is considered as a fragmented market with the top five players contributing 7.0%.

The Group contributed 0.4% to the RMAA market in 2015.

### KEY COSTS COMPONENTS



*Source: Census and Statistic Department of Hong Kong; F&S Report*  
*Note: Latest data recorded as 2014*

The average yearly wage of workers in the RMAA service in Hong Kong increased from HK\$345.0 thousand in 2010 to HK\$474.8 thousand in 2015, with a CAGR of 6.6%. Due to the implementation of government policies such as Mandatory Building Inspection Scheme, the demand for RMAA service workers has grown.

It is estimated that the average wage of RMAA service workers is likely to continue to rise because of the labour shortage in the Hong Kong RMAA market. The increasing wage is likely to solve the problem of insufficient labour supply. By the end of 2020, according to Frost & Sullivan, the average yearly wage of workers in the RMAA services industry in Hong Kong is likely to have a CAGR of 3.5% from 2015.

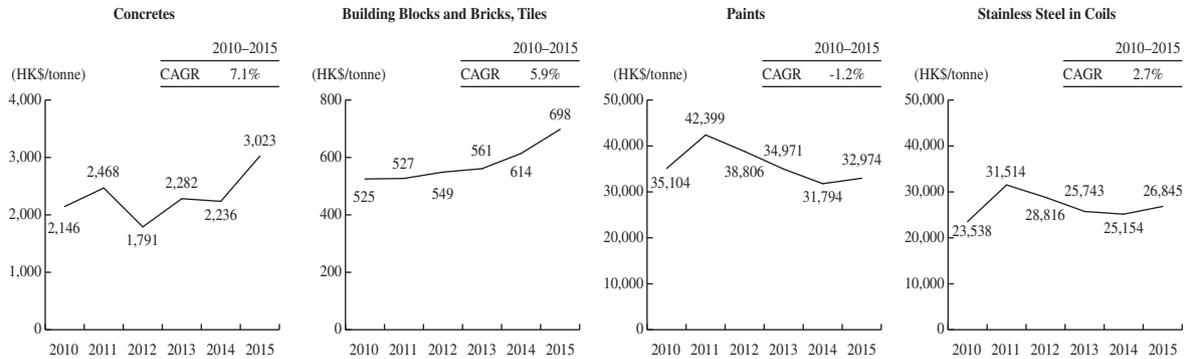
### Average Market Price of Major Materials

Concrete, bricks, paints and stainless steel are the four major materials used in RMAA services in Hong Kong. In recent years, the market price of concrete witnessed some volatility but in general there is a growing trend and the market price of bricks increased steadily.

## INDUSTRY OVERVIEW

The market prices of concrete and bricks increased from HK\$2,146 per tonne and HK\$525 per tonne in 2010 to HK\$3,023 per tonne and HK\$698 per tonne in 2015, at CAGRs of 7.1% and 5.9%, respectively. However, the market price of paints decreased slightly, from HK\$35,104 per tonne in 2010 to HK\$32,974 per tonne in 2015. The market price of flat-rolled products of stainless steel in coils increased from HK\$23,538 per tonne in 2010 to HK\$26,845 per tonne in 2015.

By the end of 2020, the market prices of concrete, bricks, paints and stainless steel in coils are likely to enjoy a CAGR of approximately 4.0%, 3.0%, 0.5% and 1.0% from 2015, respectively. The rising price of the raw materials will increase the operation cost of the RMAA services providers.



Source: F&S Report

## KEY SUCCESS FACTORS

### Professional Talents

The Hong Kong RMAA market is suffering from labour shortage, which is exacerbated by an ageing workforce and the lack of skilled talent. Moreover, on-site workers have direct impacts on the quality of the project they work on. However, it is not easy to find qualified talent as employees are required to have comprehensive knowledge in various aspects, such as architecture and design, as well as accumulating experiences in the field of construction. Meanwhile, due to the shortage of related workers, a company that has good track record is able to hire sufficient workers to guarantee the operation of projects, especially those large ones.

### Stable Relationship

At present, the establishment of relationships with the Hong Kong government and major clients plays an important role in the RMAA market. Stable customer relationships can guarantee business in the RMAA market. Moreover, long-term and stable relationships with raw material suppliers and subcontractors will help RMAA service providers maintain a relatively fixed cost that is not easily influenced by the external environments.

### Qualifications and Reputation

Qualifications and reputation is another key success factor for the Hong Kong RMAA services market. Private clients usually need a long-term and stable RMAA services provider and therefore the company's qualifications and reputation become important.

## INDUSTRY OVERVIEW

### ENTRY BARRIERS

#### Expertise and Knowledge

The great expertise and knowledge possessed by the contractors enable them to satisfy customers' requirement and maintain a solid customer base that supports a sustainable development of the business. Especially contractors are required to bid the contracts by competitive tendering exercise, where some large customers may also require contractors to participate in pre-qualification where prior assessment will be done by the customers or their representative, in which expertise and knowledge, technical qualification and capital resources may be in the customers' consideration. New entrants with little expertise and knowledge are not easily accepted by customers.

#### Relationship with Clients

It is crucial for RMAA service providers in Hong Kong to establish good long-term relationships with the clients. In order to gain trusts from the client, RMAA service providers need to have long track records to prove their stability, reliability and follow-up service capabilities. Moreover, once the capabilities are recognised by the clients, the RMAA service providers will not be easily replaced. Therefore, it is difficult for new entrants to establish long-term and interdependent relationships with clients.

#### Operation Experience

The operation experience is also an important factor to the RMAA market of Hong Kong. In Hong Kong, the public sector has a tender list. Whereas, private clients in the private sector pay great attention to the operation experience of the services providers. Moreover, private clients prefer a long-term service provider and therefore operation experience is a key challenge for the new entrants.

#### Capital Requirement

As one of the capital-intensive markets in Hong Kong, talent recruitment, equipment purchasing, marketing promotion and operations require substantial initial investment in the RMAA service market. Moreover, the working capital requirements in public sector and the requirements on qualifications and experience for RGBC in private sector also need large capital support. It is not uncommon for a project owner to require the main contractor to provide surety bond in the amount of 10% of the awarded contract sum as security for due performance and observance of the construction contracts where the main contractors need to deposit the a sum equal to of the amount guaranteed under the relevant surety bond to banks or insurance companies who provide the surety bond. Where a lesser sum is required to be deposited, a higher premium and/or arrangement fee will be charged. Accordingly, requirement of large capital can be regarded as one of the major entry barriers for most new entrants. Especially for small to medium size entrants, as they lack large initial capital and sufficient cash flow.

## INDUSTRY OVERVIEW

### MARKET DRIVERS AND OPPORTUNITIES

#### A Growing Hong Kong Construction Market

The gross value of construction works performed by main contractors in Hong Kong reached approximately HK\$223.9 billion by the end of 2015 as compared with approximately HK\$111.3 billion in 2010, with a CAGR of 15.0%. In 2020, the gross value of construction works by main contractors in Hong Kong is likely to reach HK\$371.6 billion, with a CAGR of 10.7% from 2015 to 2020. The growth of annual per capita gross national income in Hong Kong from HK\$258.2 thousand in 2010 to HK\$333.5 thousand in 2015 has improved people's living standards and heightened their willingness to spend in improving living environments.

The increasing demand for properties with better quality and higher price provides growth momentum for the construction industry. On the other hand, with rising living standards, property owners and property management companies have increased their efforts on renovation, repair and maintenance of the properties and facilities. Thus, the growth of construction industry, in particular the RMAA market, is driven by the increasing living standard.

#### Government Policies' Support on Building Maintenance Projects

Similar to other developed cities, Hong Kong concentrates on tackling the problem of ageing buildings. As estimated by the Planning Department, there are about 12,220 buildings which are over 40 years old in Hong Kong in 2016, while there are about 4,340 buildings between 30 to 39 years old. The government has introduced a number of policies to encourage building maintenance and renovation such as the Mandatory Building Inspection Subsidy and regulations Scheme, Integrated Building Maintenance Assistance Scheme, Operation Building Bright Scheme, the Education Regulations and the Development and Management of Parks and Gardens. Such government support helps property owners to obtain funds for regular building maintenance and renovation. In a long run, these measures are able to drive a healthy development in Hong Kong's RMAA market. In 2015, the revenue of renovation and maintenance works in the public sector was about HK\$11.0 billion.

#### Further Development of Hong Kong Macro Economy

The nominal GDP in Hong Kong increased from approximately HK\$1,776.3 billion in 2011 to approximately HK\$2,402.5 billion in 2015, realizing a CAGR of 6.2%. It is expected that the nominal GDP in Hong Kong will grow steadily from 2015 onwards, reaching approximately HK\$3,019.0 billion in 2020. The growth in nominal GDP in Hong Kong is likely to further drive the development of the property and infrastructure markets, leading to a growth in the RMAA service in Hong Kong.

### THREAT

#### Increasing Operating Costs

Material procurement cost and the labor cost are the two major operating costs of RMAA services providers. In recent years, the increase in the cost of raw material cost and salary of employees increased the operating costs of RMAA services providers.

## INDUSTRY OVERVIEW

In case RMAA services providers are unable to transfer the increasing cost to their clients, their profit margins is likely to ultimately decrease.

### **Insufficient Skilled Labour**

The construction industry requires thoroughly trained workers to complete up-to-standard works. The insufficient supply of skilled and experienced workers becomes a major threat to the RMAA market as the ageing and retirement of experienced workers outpaces the new entrants to the construction labour force.

## LAWS AND REGULATIONS

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

### OVERVIEW

Our Group is an established main contractor in Hong Kong focusing on the provision of (i) renovation and maintenance works and (ii) alteration and addition works and fitting-out works. This section sets out a summary of certain aspects of Hong Kong laws, rules and regulations that are relevant to our operations and business.

### LAWS AND REGULATIONS IN RELATION TO THE CONTRACTOR LICENSING REGIME AND OPERATION

#### Buildings Department

The Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) governs the planning, design and construction of buildings and associated works. Under the current contractors registration system in Hong Kong, a contractor carrying out building works in the private sector must be registered with the Buildings Department either as a Registered General Building Contractor, Registered Specialist Contractor or minor works contractor. The registration of specialist contractors is categorised by specialisation in demolition works, foundation works, site formation works, ventilation works and ground investigation field works. Registered General Building Contractors may carry out general building works and street works which do not include any specialised works designated for Registered Specialist Contractors.

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

#### *Application for registration*

Listed below are the aspects in which an applicant must satisfy the Building Authority for registration as a Registered General Building Contractor or Registered Specialist Contractor under section 8B(2) of the Buildings Ordinance:

- (i) if the applicant is a corporation, the adequacy of its management structure;
- (ii) the appropriate experience and qualifications of its personnel;
- (iii) the applicant's ability to have access to plants and resources; and

## LAWS AND REGULATIONS

- (iv) the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

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

- (i) a minimum of one person as an authorised signatory (the “**Authorised Signatory**”) appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance;
- (ii) for a corporation — a minimum of one person as a technical director (the “**Technical Director**”) from the board of directors of the applicant who is authorised by the board to:
  - (a) have access to plant and resources;
  - (b) provide technical and financial support for the execution of building works and street works; and
  - (c) make decisions for the company and supervise the Authorised Signatory and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and
- (iii) for a corporation which appoints a director who does not possess the required qualification or experience as Technical Director to manage the carrying out of building works and street works — an “Other Officer” authorised by the board of directors to assist the Technical Director.

A person is permitted to take up the roles of the Authorised Signatory as well as the Technical Director of a corporation at the same time provided that he meets the requirements of both Authorised Signatory and Technical Director. If an Other Officer is required, he is permitted to assist the Technical Director only. In such case, the Authorised Signatory is not permitted to take up the role of an Other Officer.

Fulam Construction’s current Technical Director is Mr. Leung. If Mr. Leung retires or resigns, Fulam Construction intends to appoint Ms. Mak Pui Chun, one of our senior management, as our Technical Director. Ms. Mak Pui Chun has more than three years of local experience in building industry and has obtained a bachelor’s degree in relevant field and hence she would satisfy the qualification and experience requirements specified by the Buildings Department. The service agreement entered into between Mr. Leung and our Group provides that Mr. Leung has to give our Group at least six months’ notice if he resigns as our Technical Director. Hence, we would have sufficient time to process the appointment of Ms. Mak Pui Chun as our Technical Director or recruit a new Technical Director in place of Mr. Leung in case he retires or resigns.

In view of the above succession plan, our Directors take the view that on-going compliance with the requirements under the Buildings Ordinance can be ensured if Fulam Construction’s Technical Director retires or resigns.

## LAWS AND REGULATIONS

### *Renewal of registration*

Renewal is required every three years. According to section 8C(2)(c) of the Buildings Ordinance, a Registered General Building Contractor or Registered Specialist Contractor should apply to the Building Authority for renewal of registration not earlier than four months and not later than 28 days prior to the date of expiry of the registration. An application received by the Building Authority outside the above time limit will not be accepted. The application for renewal of registration should consist of certain administrative documents, a declaration in the form specified by the Buildings Department covering exhaustively the conviction/disciplinary/suspension records of the applicant and its key personnel i.e. the Authorised Signatory(ies), the Technical Director(s) and the Other Officer(s) in certain aspects, and a job reference on a minimum of one relevant building project.

The registration of a contractor will remain in force if he makes an application for renewal within the time limit and pays the renewal fee until his application for renewal is finalised by the Building Authority.

Under section 8 of the Buildings Ordinance, the Building Authority is to appoint Contractors Registration Committees to assist the Building Authority in considering applications for inclusion in a register by examining the qualifications of applicants, enquiring into the relevant experience of applicants, conducting interviews with applicants and advising the Building Authority to accept, defer or reject such applications.

Generally, an application for renewal of registration would not be referred to the Contractors Registration Committees except in the following circumstances:

- (i) the contractor has been inactive in conducting building works in the past registration period (i.e. without a job reference on a minimum of one relevant building project); or
- (ii) there have been new incidents or circumstances that require further consideration on the sustainability of the contractor's registration. For instance, the contractor's conviction/disciplinary/suspension records and subject to the following approach adopted by the Buildings Department in relation to labour safety, public health and environmental offences and records of suspension from tendering by the Environment, Transport and Works Bureau, the Housing Authority or their related departments in determining if a contractor is required to attend an interview:
  - (a) non-building works related labour safety offences, such as failure to ensure the wearing of safety helmet and the use of goggles, will not be taken into consideration. In general, an offence relating to the course of constructing the works or the manner in which the works are being carried out is considered as an offence relating to building works;
  - (b) a contractor who has been convicted of a serious labour safety offence, such as an offence which involves a fatal incident or amputation of limb, is required to attend an interview;
  - (c) a contractor who has been convicted of seven or more labour safety offences committed within a rolling six months is required to attend an interview;

## LAWS AND REGULATIONS

- (d) a contractor who has been convicted of four or more offences under section 27(3) of the Public Health and Municipal Services Ordinance committed on the same site within a rolling three months is required to attend an interview;
- (e) a contractor who has been convicted of any environmental offence involving an imprisonment sentence will be required to attend an interview; and
- (f) for a contractor who has been suspended from tendering by the Environment, Transport and Works Bureau, the Housing Authority or their related departments, the Buildings Department will consider the reasons of suspension. Generally, only factors which infer deficiencies of the contractors in technical competence or management ability, and factors related to standard of works, misconduct and site safety will be taken into consideration.

### *Refusal of application*

Section 8C of the Buildings Ordinance lays down the grounds for refusal of an application for renewal of registration by the Building Authority. The Building Authority may refuse an application and remove the name of the applicant from the register if

- (i) he is satisfied that the applicant is no longer suitable (for any reason) for registration on the relevant register; or
- (ii) the applicant fails to provide relevant information and documentary proof required by the Building Authority including, but not limited to, updated information on matters supplied on previous applications for registration or renewal of registration.

### *Our current registration and our plan to obtain a registration as a Registered Specialist Contractor*

Fulam Construction is registered as a General Building Contractor with the certificate of registration valid until 15 January 2018.

Set out below are the details of our registration with the Buildings Department:

Name of Group member	Fulam Construction
Qualification	Registered General Building Contractor
Registration number	GBC28/2000
Date of first registration	10 February 2003
Date of expiry of current registration	15 January 2018
Current Authorised Signatory	Mr. Law Fu Ting
Current Technical Director	Mr. Leung

We also seek to obtain a registration with the Buildings Department under the Sub-register of Site Formation Works Category in the list of Registered Specialist Contractor. For the details of our plan to obtain such registration, please refer to the paragraphs headed “Business — Business strategies” in this prospectus.

## LAWS AND REGULATIONS

### *Registered Specialist Contractor (Sub-register of Site Formation Works Category)*

In order to undertake site formation works as a main contractor in relation to private sector projects, a contractor must be registered with the Buildings Department as a Registered Specialist Contractor (Sub-register of Site Formation Works Category), unless the main contractor subcontracts those works to a Registered Specialist Contractor as described below.

Where the main contractor engages a Registered Specialist Contractor under the Sub-register of Site Formation Works Category to undertake site formation works, irrespective of whether such site formation works form the whole or part of the construction works, the main contractor itself would not be required to be a Registered Specialist Contractor under the relevant category.

Subcontractors undertaking site formation works are required to be Registered Specialist Contractors under the category of site formation works if the main contractor is not registered as the specialist contractor under the said category.

In general, all site formation works are specialised works of the site formation category, unless:

- (a) the maximum gradient across the lot from boundary to boundary is not more than 15 degrees; and
- (b) the overall gradient of an area bounded by lines 10m outside the lot boundary in any direction is less than 15 degrees; and
- (c) there is no slope within the area 10m outside the lot boundary steeper than 30 degrees or higher than 1.5 m;
- (d) there is no retaining wall or terrace wall, either within the lot or within the area 10 m outside the lot, which is higher than 1.5 m;
- (e) no retaining walls or terrace walls higher than 1.5 m are to be constructed;
- (f) no slopes steeper than 30 degrees nor higher than 1.5 m are to be constructed; and
- (g) the combined height of retaining wall and slope to be constructed does not exceed 1.5 m.

As such, private slope repair works, construction of retaining structure and excavation on slope are generally classified as site formation works which a Register Special Contractor under the Sub-register of Site Formation Works Category is required.

The registration requirements mentioned above are the basic requirements for undertaking the relevant site formation projects. Other additional requirements on the contractors or subcontractors may be imposed by developers, main contractors, or other entities, as the case may be.

## LAWS AND REGULATIONS

The Buildings Department imposes specific requirements on the qualifications and experience of the key personnel of a Registered Specialist Contractor in the site formation works category. The following table summarises the said specific requirements for Registered Specialist Contractor in the site formation works category imposed by the Buildings Authority:

<b>Key personnel</b>	<b>Specific requirements on the key personnel</b>
Technical Director	<p>The person must have:</p> <ol style="list-style-type: none"><li>1. at least five years of experience in geotechnical works, of which three years' experience was engaged in local site formation, and a bachelor degree or equivalent in a relevant discipline;</li><li>2. at least eight years of experience in managing a building contractor company or equivalent; or</li><li>3. at least 12 years of experience in managing a building contractor company or equivalent and completed a recognised top-up course, and been appointed an Authorised Signatory under the previous registration system.</li></ol>
Authorised Signatory	<p>The person must have:</p> <ol style="list-style-type: none"><li>1. at least five years of experience engaged in geotechnical works, of which three years' experience was in local site formation, worked in at least seven local site formation projects for an aggregate period of not less than 18 months, and a higher certificate, diploma or equivalent in a relevant field; or</li><li>2. at least five years of experience in geotechnical works of which three years' experience was in local site formation, worked in at least seven local site formation projects for an aggregate period of not less than 18 months, and a bachelor degree or equivalent in a relevant discipline; or</li><li>3. at least 12 years of experience in site formation, worked for not less than 21 months in seven local site formation projects, been appointed as an Authorised Signatory under the previous registration system, and completed a recognised top-up course.</li></ol>
Other Officer	<p>If this role is required, the Other Officer must have:</p> <ol style="list-style-type: none"><li>1. at least five years of experience in geotechnical works, of which three years' experience was in local site formation; and</li><li>2. a bachelor degree or equivalent in a relevant field.</li></ol>

## LAWS AND REGULATIONS

### **Electrical and Mechanical Services Department**

The Electricity Ordinance provides for the registration of electrical workers and contractors, and safety requirements for electricity supply and wiring. The definition of electrical works under section 2 of the Electricity Ordinance includes the installation, commissioning, inspection, testing, maintenance, modification or repair of a high or low voltage fixed electrical installation. Examples of fixed electrical installations include but not limited to distribution boards, wiring installations and lighting fittings that are fixed in premises.

Under section 34 of the Electricity Ordinance, no person shall do business as an electrical contractor or contract to carry out electrical work unless he is a Registered Electrical Contractor. All contractors engaged in electrical work on fixed electrical installations must be registered with the Electrical and Mechanical Services Department to ensure that such work carried out is solely by qualified electrical workers through a Registered Electrical Contractor.

### **Application for registration**

To qualify as a Registered Electrical Contractor, an individual or a corporate applicant must employ at least one registered electrical worker. If the applicant is a partnership, at least one of the partners must be a registered electrical worker.

Under regulation 9 of the Electricity (Registration) Regulations, An application for registration as a electrical contractor should be submitted to the Director of Electrical and Mechanical Services the comprising:

- (i) a form required by the Director of Electrical and Mechanical Services;
- (ii) documents that are relevant to the applicant's registration or qualifications for registration;  
and
- (iii) the specified application fee.

### **Renewal of registration**

Under regulation 12 of the Electricity (Registration) Regulations, a registration as a Registered Electrical Contractor is valid for the 3-year period shown on the certificate of registration. Regulation 13 of the Electricity (Registration) Regulations stipulates that a Registered Electrical Contractor shall apply to the Director of Electrical and Mechanical Services for renewal of registration within one to four months prior to the expiry of the existing registration.

## LAWS AND REGULATIONS

### *Our registration*

As at the Latest Practicable Date, our Group is a Registered Electrical Contractor.

The details of our registration are set forth below:

Name of Group member	Fulam Construction
Qualification	Registered Electrical Contractor
Registration number	014294
Date of first registration	31 October 2005
Date of expiry of current registration	22 December 2017

### **Housing Authority**

The Housing Authority procures services from works contractors to build and maintain public housing units and facilities through selective tendering procedures. The Housing Authority prescribes its own requirements for approved contractors to tender for its projects. To tender for maintenance and improvement works for the Housing Authority, a contractor must be included in either Group M1 or M2 under the Maintenance Works Category in the List of Building Contractors approved by the Housing Authority.

Various statuses can be obtained by contractors in Group M1 or M2 under the Maintenance Works Category in the List of Building Contractors. Probationary contractors are subject to certain restrictions in the number of contracts they are eligible to undertake. Probationary M1 or M2 contractors can apply for confirmed statuses upon satisfactory completion of one M1 or M2 contract respectively after inclusion in Group M1 or M2. The following table sets out the value of works for which approved contractors with different statuses may tender:

<b>Status</b>	<b>Authorised contract value/type</b>
Group M1 (probationary)	Restricted to undertake not more than three Group M1 direct contract at any one time provide that the total value of outstanding works being undertaken does not exceed HK\$50 million or for term contracts the total value of annual expenditure does not exceed HK\$50 million
Group M1 (confirmed)	Eligible to tender for maintenance and improvement contracts with a value of HK\$50 million and for term maintenance and improvement contracts with an average annual expenditure of up to HK\$50 million
Group M2 (probationary)	Restricted to undertake not more than three Group M2 direct contracts at any one time
Group M2 (confirmed)	Eligible to tender for maintenance and improvement contracts of unlimited value

## LAWS AND REGULATIONS

*Our plan to obtain a registration in Group M1 under the Maintenance Works Category in the List of Building Contractors approved by the Housing Authority*

We do not currently have licences from the Housing Authority but we plan to obtain a registration in Group M1 under the Maintenance Works Category in the List of Building Contractors approved by the Housing Authority. For the details of our plan to obtain such registration, please refer to the paragraphs headed “Business — Business strategies” in this prospectus.

*Application for registration Group M1 under the Maintenance Works Category in the List of Building Contractors approved by the Housing Authority*

To be included in Group M1 under the Maintenance Works Category in the List of Building Contractors, a contractor must, among others:

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

## LAWS AND REGULATIONS

The following table summarises the capital requirements for the application for probationary and confirmed statuses in Group M1:

Status	Working Capital Required	Employed Capital Required
Probationary	<ul style="list-style-type: none"> <li>● HK\$2.1 million; or</li> <li>● 15% of the outstanding works<sup>(Note)</sup> (“<b>Outstanding Works</b>”), whichever is higher</li> </ul>	<ul style="list-style-type: none"> <li>● HK\$2.1 million + HK\$1.2 million for every HK\$12 million of Outstanding Works or part thereof above HK\$21 million (subject to a maximum of HK\$4.4 million); or</li> <li>● 10% of total assets, whichever is higher</li> </ul>

If the total value of Outstanding Works reaches HK\$32 million or above, then the following criteria will apply:

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|--|---|
| <ul style="list-style-type: none"> <li>● HK\$4.9 million; or</li> <li>● 10% on the Outstanding Works, whichever is higher</li> </ul> | <ul style="list-style-type: none"> <li>● HK\$4.9 million + HK\$2.9 million for every HK\$43 million of Outstanding Works or part thereof above HK\$73 million (subject to a maximum of HK\$10.6 million); or</li> <li>● 10% of total assets, whichever is higher</li> </ul> |
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If the total value of Outstanding Works reaches HK\$148 million or above, then the following criteria will apply:

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|--|---|
| <ul style="list-style-type: none"> <li>● HK\$14.8 million; or</li> <li>● 8% on the first HK\$950 million of Outstanding Works and 10% on the remainder, whichever is higher</li> </ul> | <ul style="list-style-type: none"> <li>● HK\$14.8 million + HK\$2 million for every HK\$100 million of Outstanding Works or part thereof above HK\$950 million; or</li> <li>● 10% of total assets, whichever is higher</li> </ul> |
|--|---|

## LAWS AND REGULATIONS

<b>Status</b>	<b>Working Capital Required</b>	<b>Employed Capital Required</b>
Confirmed	<ul style="list-style-type: none"> <li>● HK\$4 million; or</li> <li>● 15% of Outstanding Works, whichever is higher</li> </ul>	<ul style="list-style-type: none"> <li>● HK\$4 million + HK\$2.2 million for every HK\$22 million of Outstanding Works or part thereof above HK\$40 million (subject to a maximum of HK\$8.3 million); or</li> <li>● 10% of total assets, whichever is higher</li> </ul>

If the total value of Outstanding Works reaches HK\$67 million or above, then the following criteria will apply:

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| <ul style="list-style-type: none"> <li>● HK\$10.1 million; or</li> <li>● 10% of the Outstanding Works, whichever is higher</li> </ul> | <ul style="list-style-type: none"> <li>● HK\$10.1 million + HK\$5.8 million for every HK\$86 million of Outstanding Works or part thereof above HK\$150 million, (subject to a maximum of HK\$21.7 million); or</li> <li>● 10% of total assets, whichever is higher</li> </ul> |
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If the total value of Outstanding Works reaches HK\$188 million or above, then the following criteria will apply:

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| <ul style="list-style-type: none"> <li>● HK\$18.8 million; or</li> <li>● 8% of the first HK\$950 million of Outstanding Works and 10% on the remainder, whichever is higher</li> </ul> | <ul style="list-style-type: none"> <li>● HK\$18.8 million + HK\$2 million for every HK\$100 million of Outstanding Works or part thereof above HK\$950 million; or</li> <li>● 10% of total assets, whichever is higher</li> </ul> |
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*Note:* Outstanding works represent the annualised value of outstanding works (including Housing Authority, Government and private sector contracts on a worldwide basis) and any tender under consideration for a financial year.

Each year, the approved contractors are required by the Housing Authority to prove satisfactory compliance with the requirements stated in the “Guide to Registration of Works Contractors and Property Management Services Providers” published by the Housing Authority through the provision of supporting documents as well as to pay the annual renewal fee.

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

- (i) removal from the List of Building Contractors;

## LAWS AND REGULATIONS

- (ii) suspension from tendering, meaning tender documents will not be issued to the contractor or where the contractor has submitted a tender, the tender will not be considered within the suspension period;
- (iii) restriction from tendering within a prescribed period;
- (iv) downgrading;
- (v) removal or suspension from specific league or status; and
- (vi) probationary period being extended.

### LAWS AND REGULATIONS IN RELATION TO LABOUR, HEALTH AND SAFETY

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

The Factories and Industrial Undertaking Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertaking Ordinance, every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by:

- (i) providing and maintaining plant and work systems that do not endanger safety or health;
- (ii) making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- (iii) providing all necessary information, instruction, training and supervision for ensuring safety and health;
- (iv) providing and maintaining safe access to and egress from the workplaces; and
- (v) providing and maintaining a safe and healthy work environment.

A proprietor who contravenes these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who commits such an offence wilfully and without reasonable excuse is liable to a fine of \$500,000 and to imprisonment for 6 months.

In addition, under the Factories and Industrial Undertakings (Safety Management) Regulations (Chapter 59AF of the Laws of Hong Kong) (“**Safety Management Regulation**”), any contractor in carrying out construction works with a contract value of HK\$100 million or more or having an aggregate of 100 or more workers in a day working in one or more construction sites is obliged to appoint a registered safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system at least once in every six months. Any person who contravenes this requirement commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment of six months.

## LAWS AND REGULATIONS

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

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

Employers must, as far as reasonable, contribute to safety and health in their workplaces by:

- (i) providing and maintaining plant and work systems that do not endanger safety or health;
- (ii) making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- (iii) providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- (iv) providing and maintaining safe access to and egress from the workplaces; and
- (v) providing and maintaining a safe and healthy work environment.

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

Further, the Commissioner for Labour may serve on an employer or occupier improvement notices and suspension notices requiring respectively the rectification of contravention against safety legislation and suspension of an activity in which there is imminent risk of death or serious bodily injury. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

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

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

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

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

The Construction Workers Registration Ordinance provides for the registration of construction worker and related matters.

## LAWS AND REGULATIONS

Pursuant to section 3 of the Construction Workers Registration Ordinance, a person shall not personally carry out on a construction site construction work unless the person is a registered construction worker. Section 5 of the Construction Workers Registration Ordinance provides that no person shall employ unregistered construction workers to carry out on construction sites construction work.

If (i) there is a contravention of section 3 of the Construction Workers Registration Ordinance and the person who commits the contravention is employed by a principal contractor for the construction site concerned, or a subcontractor of such a principal contractor; or (ii) there is a contravention of section 5, and the person who commits the contravention is a subcontractor of a principal contractor for the construction site concerned, that principal contractor also commits an offence and is liable on conviction to a fine at level 5 (currently at HK\$50,000).

Further, according to section 58 of the Construction Workers Registration Ordinance, a principal contractor/controller of a construction site is required to:

- (i) establish and maintain a daily record in the specified form that contains information of registered construction workers employed by him and, in the case of a controller being the principal contractor, by a subcontractor of the controller; and
- (ii) furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of record:
  - (a) for the period of seven days after any construction work begins on the site; and
  - (b) for each successive period of seven days,

within two business days following the last day of the period concerned.

A person who, without reasonable excuse, contravenes the above section commits an offence and is liable on conviction to a fine at level 3 (currently at HK\$10,000).

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

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

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

## LAWS AND REGULATIONS

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

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover commits an offence and is liable on conviction to a fine of level 6 (currently at HK\$100,000) and imprisonment for up to two years.

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

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

A main contractor is subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. Pursuant to section 43C of the Employment Ordinance, if any wages become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. A principal contractor's liability shall be limited to (i) the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building work; and (ii) the wages due to such an employee for 2 months (such months shall be the first 2 months of the period in respect of which the wages are due).

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

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

It is stated in section 43F of the Employment Ordinance that if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor. The principal contractor or superior subcontractor may either (i) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other

## LAWS AND REGULATIONS

such superior subcontractor as the case maybe, or (ii) deduct by way of set-off the amount paid by him from any sum due or may become due to the subcontractor with regard to the work that he has subcontracted.

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

The Mandatory Provident Fund Schemes Ordinance provides for, inter alia, the establishment of a system of privately managed, employment-related mandatory provident fund schemes for members of the workforce to accrue financial benefits for retirement.

Under the Mandatory Provident Fund Schemes Ordinance, the employer and its relevant employee, meaning an employee of 18 years of age or over and below retirement age which is 65 years of age, are each required to make contributions to the plan at 5% of the relevant employees' relevant income, meaning any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance expressed in monetary terms, paid or payable by an employer to the relevant employee in consideration of his employment under his employment contract. With effect from 1 June 2012, the maximum level of relevant income of a relevant employee was adjusted from HK\$20,000 to HK\$25,000, and thus the relevant maximum mandatory contribution was adjusted from HK\$1,000 to HK\$1,250. With effect from 1 June 2014, the maximum level of relevant income of a relevant employee was further adjusted from HK\$25,000 to HK\$30,000, and thus the relevant maximum mandatory contribution was adjusted from HK\$1,250 to HK\$1,500.

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

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

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in these industries must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction and catering industries. Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same Industry Scheme. This is convenient for scheme members and saves administrative costs.

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

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

## LAWS AND REGULATIONS

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

### LAWS AND REGULATIONS IN RELATION TO APPLICABLE LEVIES

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

Under section 32 and Part 2 of Schedule 5 of the Construction Industry Council Ordinance, the Construction Industry Levy (“**CI Levy**”) is imposed with regard to construction operations carried out in Hong Kong which amounts to 0.5% of the value of the construction operations concerned. According to section 32(2) and Part 1 of the Construction Industry Council Ordinance, the construction operations with a total value that does not exceed HK\$ 1 million are not liable to the CI Levy. Section 33 of the Construction Industry Council Ordinance stipulates that a contractor of any construction operations which are subject to the payment of the CI Levy is liable to pay such levy only if the Hong Kong Construction Industry Council (“**HKCIC**”) gives him a notice of assessment in writing, specifying the amount of the CI Levy payable by the contractor.

A contractor is required under sections 35 and 36 of the Construction Industry Council Ordinance to give notices of payment and completion in respect of construction operations respectively to the HKCIC if the construction operations are carried out under a term contract, or the total value of the construction operations exceeds HK\$1 million. The notice of payment required under section 35 is submitted within 14 days after a payment is made for any construction operations or any stage or part of any construction operations, other than construction operations carried out under a term contract. If a payment is made in relation to any construction operations carried out under a term contract, it should be given to the HKCIC within 14 days after the last day of the month in which the payment was made. For the notice of completion, it should be given to the HKCIC by the contractor and the authorised person after the completion of any construction operations or after the completion of each stage of construction operations within 14 days after the completion. Failure to give the above notices on time may constitute an offence and lead to a fine of HK\$10,000.

Under section 37 of the Construction Industry Council Ordinance, the HKCIC is to assess the amount of the CI Levy payable for the construction operations concerned either upon receipt of the notice of payment or completion, if such assessment has not been made upon receipt of the former. An assessment should be provisional if it is made on an interim payment or a partial payment, or the construction operations concerned are a stage or part of any other construction operations. A final assessment shall be made on the final payment for the construction operations or completion of the other construction operations as the circumstances may require. Pursuant to section 46 of the Construction Industry Council Ordinance, a penalty of 5% of the unpaid CI Levy in addition to the CI Levy is payable if a contractor fails to pay fully the CI Levy within the specified period of 28 days after he receives the notice of assessment.

## LAWS AND REGULATIONS

### **Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong) and Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations (Chapter 360A of the Laws of Hong Kong)**

Section 35(1) and Division 1, Part 2, Schedule 5 of the Pneumoconiosis and Mesothelioma (Compensation) Ordinance impose a levy in respect of construction operations with a total value exceeding HK\$ 1 million carried out in Hong Kong which amounts to 0.15% of the value of the construction operations concerned. Under section 35(5) of the Pneumoconiosis and Mesothelioma (Compensation) Ordinance, a contractor is liable to pay such levy only if the Pneumoconiosis Compensation Fund Board (“PCFB”) gives him a notice of assessment in writing, specifying the amount of levy payable.

A contractor is required under regulations 5 and 5A of the Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations to give notices of payment and completion in respect of construction operations respectively to the PCFB if the construction operations are carried out under a term contract, or the total value of the construction operations exceeds HK\$ 1 million. The notice of payment required under regulation 5 is submitted within 14 days after a payment is made for any construction operations or any stage or part of any construction operations, other than construction operations carried out under a term contract. If a payment is made in relation to any construction operations carried out under a term contract, it should be given to the PCFB within 14 days after the last day of the month in which the payment was made. For the notice of completion prescribed under regulation 5A, it should be given to the PCFB by the contractor and the authorised person after the completion of any construction operations or after the completion of each stage of construction operations within 14 days after the completion. Failure to give the above notices on time may constitute an offence and lead to a fine of HK\$ 5,000.

According to regulation 6 of the Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations, the PCFB is to assess the amount of the levy payable in respect of the construction operations or the stage of part of the construction operations either upon receipt of the notice of payment or the notice of completion. An assessment will be made upon receipt of the notice of completion if it has not been made upon receipt of the notice of payment. An assessment should be provisional if it is made on an interim payment or a partial payment, or the construction operations concerned are a stage or part of any other construction operations. A final assessment shall be made on the final payment for the construction operations or completion of the other construction operations as the circumstances may require. Pursuant to section 37 of the Pneumoconiosis and Mesothelioma (Compensation) Ordinance, failure to fully pay the levy within three months after the expiry of prescribed period of payment may lead to a further penalty of HK\$ 1,000 or an amount that is equal to 5% of the unpaid amount, whichever is greater.

## LAWS AND REGULATIONS

### LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

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

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

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation, Air Pollution Control (Construction Dust) Regulation and Air Pollution Control (Smoke) Regulation. For instance, a contractor responsible for a construction site shall devise and arrange methods of carrying out the works in a manner that minimises the impact of dust on the surrounding environment of the construction site, and shall provide experienced personnel with suitable training should also be to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require building works involving asbestos to be conducted only by registered qualified personnel under the supervision of a registered consultant.

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

The Noise Control Ordinance regulates, among others, the noise from construction activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Noise Control Authority in advance. The carrying out of percussive piling is prohibited between 7:00 p.m. and 7:00 a.m. or at any time on general holidays.

Under the Noise Control Ordinance, construction works that use powered mechanical equipment (other than percussive piling) are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Noise Control Authority through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority. Schedule 1 of the Noise Control (Hand Held Percussive Breakers) Regulations (Chapter 400D of the Laws of Hong Kong) sets out the maximum permissible sound power levels based on the different masses of the hand-held percussive breakers. Similarly, Schedule 1 of the Noise Control (Air Compressors) Regulations (Chapter 400C of the Laws of Hong Kong) sets out the maximum permissible sound power levels based on the different air flows of the air compressors.

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

## LAWS AND REGULATIONS

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

The Water Pollution Control Ordinance provides the main statutory framework for the declaration of water control zones to cover the whole of Hong Kong and the establishment of water quality objectives. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal sewers or unpolluted water into stormwater drains, river courses and water bodies), they are subject to licensing control by the Environmental Protection Department.

The licence specifies the requirements relevant to the discharge, e.g. the effluent standards and the discharge location.

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for 6 months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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

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

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

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

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

## LAWS AND REGULATIONS

### **Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong)**

Under the Dumping at Sea Ordinance, anyone involved in marine dumping and related loading operations are required to obtain permits from the Environmental Protection Department.

Under the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months on a first conviction; and to a fine of HK\$500,000 and to imprisonment for two years on a second or subsequent conviction; and in addition, to a further fine of HK\$10,000 for each day that the court is satisfied that the operation has continued.

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

Emission of dust from any building under construction or demolition in such manner as to be a nuisance is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 (level 3) upon conviction with a daily fine of HK\$200.

Discharge of muddy water from a construction site is actionable under the Public Health and Municipal Services Ordinance. Maximum fine is HK\$50,000 (level 5) upon conviction.

Any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$25,000 (level 4) upon conviction and a daily fine of HK\$450.

Any accumulation of refuse which is a nuisance or injurious to health or any premises in such a state as to be a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 (level 3) upon conviction and a daily fine of HK\$200.

## **OTHERS**

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

The Competition Ordinance prohibits and deters undertakings in all sectors from adopting anti-competitive conduct which prevents, restricts or distorts competition in Hong Kong. The Competition Ordinance establishes three competition rules, namely the First Conduct Rule, Second Conduct Rule and Merger Rule which prohibit anti-competitive agreements, abuse of market power and anti-competitive mergers and acquisitions respectively.

The First Conduct Rule prohibits businesses from making or giving effect to an agreement, engaging in a concerted practice, or making or giving effect to a decision of an association, if the agreement concerned has the object or effect to harm competition in Hong Kong. The Second Conduct Rule prohibits businesses with a substantial degree of market power from abusing its power through engaging in conduct that has the object or effect to harm competition in Hong Kong. The Merger Rule forbids mergers between businesses that substantially lessen competition in Hong Kong. The scope of application of the Merger Rule is limited to carrier licences issued under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

## LAWS AND REGULATIONS

Serious Anti-competitive Conduct is defined under section 2(1) of the Competition Ordinance as any conduct that comprises any one or combination of the following:

- (i) fixing, maintaining, increasing or controlling the price for the supply of goods or services;
- (ii) allocating sales, territories, customers or markets for the production or supply of goods and services;
- (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods and services;
- (iv) bid-rigging.

It is stated in section 82 of the Competition Ordinance that if the Competition Commission has any reasonable cause to believe that a contravention of the First Conduct Rule has occurred and the contravention does not involve Serious Anti-competitive Conduct, it must issue a warning notice to the undertaking, before bringing proceedings in the Competition Tribunal against the undertaking.

However, under section 67 of the Competition Ordinance, where a contravention of the First Conduct Rule has occurred and such contravention involves Serious Anti-competitive Conduct or a contravention of the Second Conduct Rule has occurred, the Competition Commission may, instead of commencing proceedings against the person concerned, issue an infringement notice offering not to bring proceedings on condition that the person commits to comply with the requirements of the infringement notice.

In the event of the breaches of the Competition Ordinance, the Competition Tribunal may make orders including, among others:

- (i) imposing a pecuniary penalty if satisfied that an entity has contravened a competition rule;
- (ii) disqualifying a person from acting as a director of a company or taking part in the management of a company;
- (iii) prohibiting an entity from making or giving effect to an agreement;
- (iv) modifying or terminating an agreement; and
- (v) requiring the payment of damages to a person who has suffered loss or damage.

### **LAWS EXPECTED TO COME INTO FORCE WHICH MAY IMPACT OUR BUSINESS**

#### **Security of Payment Legislation (“SOPL”) for the Construction Industry**

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

## LAWS AND REGULATIONS

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

The SOPL, after it comes into effect, will:

- (i) prohibit “pay when paid” terms and other similar terms in contracts, which refer to provisions in contracts that make payment contingent or conditional on the operation of other contracts or agreements, meaning that payment is conditional on the payer receiving payment from a third party;
- (ii) prohibit payment periods of more than 60 calendar days for interim payments and 120 calendar days for final payments;
- (iii) enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication for decision (typically a 60 day process); and
- (iv) grant parties who have not been paid amounts admitted as due the right to suspend the performance of works until such payment is made.

It is probable that some of our future contracts will be caught by the SOPL, especially when we undertake projects in the public sector after obtaining the registration in Group M1 under the Maintenance Works Category in the List of Building Contractors approved by the Housing Authority. Where such contracts are subject to the SOPL, we will have to ensure compliance of the terms in the contracts with the SOPL. Nevertheless, as we generally pay our subcontractors within 30 days upon receipt of their payment applications, our Directors consider that our payment pattern does not deviate from the SOPL and our payment policy and cash management will not be materially affected by the SOPL if it comes into force.

### **COMPLIANCE**

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all the registrations and certifications required for our business and operations in Hong Kong, and all of them are in force as at the Latest Practicable Date. Our Directors further confirmed that the carrying out of (i) the renovation and maintenance works; and (ii) alteration and addition works and fitting-out works by our Group in Hong Kong is valid and complies with the laws in Hong Kong in all material respects.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### BUSINESS DEVELOPMENT

Our history can be traced back to 1999, when Mr. Ho and Ms. Cheung, who were ex-colleagues in a construction company, founded Fulam Construction, our main operating subsidiary. To the best knowledge of our Directors, Mr. Ho financed Fulam Construction with his personal resources when it was first established. At the commencement of operation, Fulam Construction mainly carried out building renovation construction works.

In 2002, Mr. Leung, an ex-colleague of Mr. Ho and Ms. Cheung in the aforesaid construction company, saw the prospect of Fulam Construction and acquired 10% of issued shares of Fulam Construction at par with a total consideration of HK\$1,000. Mr. Leung had accumulated over 10 years of experience in the construction industry prior to joining Fulam Construction. Fulam Construction underwent several shareholding changes thereafter. Since June 2014 and up to immediately prior to the Reorganisation, Fulam Construction was owned as to approximately 68.2% by Mr. Leung and 31.8% by Mr. Ho. For the corporate history of Fulam Construction, please refer to the paragraphs headed “Corporate history — Fulam Construction” in this section below.

In 2003, Fulam Construction obtained the registration as a Registered General Building Contractor, and expanded its business to alteration and addition works and fitting-out works. In 2005, Fulam Construction obtained the registration as a Registered Electrical Contractor.

During the Track Record Period and as at the Latest Practicable Date, our Group mainly served as a main contractor in our RMAA and fitting-out projects, where we were responsible for the overall management, implementation and supervision of such projects.

Set forth below is a chronological review of the key business milestones of our Group:

<b>Date</b>	<b>Milestones</b>
1999	Fulam Construction was incorporated in Hong Kong and commenced its business of building renovation construction works
2001	Fulam Construction was accredited the ISO 9001:2000 in relation to quality management system ( <i>Note 1</i> )
2003	Fulam Construction was registered with the Buildings Department as a Registered General Building Contractor and expand its business into alteration and addition works and fitting-out works ( <i>Note 2</i> )
2005	Fulam Construction was registered with the Electrical and Mechanical Services Department as a Registered Electrical Contractor ( <i>Note 3</i> )
2006	Fulam Construction was accredited the ISO 14001:2004 in relation to environmental management system standard ( <i>Note 4</i> )

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

<b>Date</b>	<b>Milestones</b>
2007	Fulam Construction was awarded the silver medal in Asia Pacific Interior Design Awards in the category of institution & public space as a contractor for conservation and restoration of St. Paul's Church, AMO grade II historical building
2008	<p>Fulam Construction successfully tendered for its first hotel alteration and addition project, which mainly involved the shopping mall and restaurants renovation works, for an international 4-star hotel in Tsim Sha Tsui with an original contract sum of approximately HK\$29.7 million</p> <p>Fulam Construction was awarded the bronze medal in Asia Pacific Interior Design Awards in the category of institution &amp; public space as a contractor for conservation and restoration of SKH Ming Hua Theological College</p> <p>Fulam Construction was awarded with a fitting-out project for the change of use of a car park in Tin Shui Wai with an original contract sum of approximately HK\$56.0 million from a horse racing and betting organisation in Hong Kong with over 130 years of operating history</p>
2010	Fulam Construction was one of the recipients of the Certificate of Finalist from the Quality Building Award 2010 under the Special Awards Category — Community Institutional Facilities in recognition of the high standard of quality of transformation of an existing car park into the Hong Kong Jockey Club Tin Shui Wai Telebet Centre
2011	<p>Fulam Construction was accredited the OHSAS 18001: 2007 in relation to occupational health &amp; safety management system (<i>Note 5</i>)</p> <p>Fulam Construction was awarded with a project, involving both (i) renovation and maintenance works and (ii) alteration and addition works and fitting-out works, for a residential development on Old Peak Road, Mid-Levels with an original contract sum of approximately HK\$118.7 million</p>
2012	<p>Fulam Construction was a citation recipient under the category of Interior Architecture from the Futurarc Green Leadership Award 2012 for the design and fitting-out works for Hong Kong Green Building Council Office</p> <p>Fulam Construction was one of the recipients of the Merit Award from the Green Building Award 2012 under the Existing Building Category — Interior — Hong Kong for the design and fitting-out works for Hong Kong Green Building Council office</p>

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Date	Milestones
	<p>Fulam Construction was a citation recipient under the category of Interior Architecture from the Futurarc Green Leadership Award 2012 for the transformation of an existing carpark into the HK Jockey Club Tin Shui Wai Telebet Centre</p> <p>Fulam Construction was awarded with a project at the Hong Kong Baptist Hospital at Kowloon Tong with an original contract sum of approximately HK\$54.7 million</p>
2015	<p>Fulam Construction was awarded with a building improvement project for a commercial development adjacent to the ferry terminal in Sheung Wan with an original contract sum of approximately HK\$468.8 million and a project for a charitable development in Sha Tin Racecourse with an original contract sum of approximately HK\$167.1 million</p>

### *Notes:*

1. Our ISO 9001:2000 accreditation for Fulam Construction has been renewed by ISO 9001:2008, which was renewable upon each expiry and the current one is valid till 15 September 2018.
2. The registration of Fulam Construction as a Registered General Building Contractor was renewable upon each expiry and the current one is valid till 15 January 2018.
3. The registration of Fulam Construction as a Registered Electrical Contractor was renewable upon each expiry and the current one is valid till 22 December 2017.
4. Our ISO 14001:2004 accreditation for Fulam Construction was renewable upon each expiry and the current one is valid till 20 June 2018.
5. Our OHSAS 18001:2007 accreditation for Fulam Construction was renewable upon each expiry and the current one is valid till 18 October 2017.

## **CORPORATE HISTORY**

Our Company was incorporated in the Cayman Islands under the Companies Law on 18 October 2016 in preparation for the Listing and is the holding company of our Group. As at the Latest Practicable Date, our Group comprised our Company, Idea Lion, Diamond Step, Fulam Construction and Fulam Engineering. Set out below is the brief corporate history of the subsidiaries of our Company.

### **Idea Lion**

Idea Lion was incorporated in the BVI with limited liability on 26 September 2016. It was authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00. No subscriber share was allotted or issued on the date of incorporation. On 11 October 2016, one subscriber share was allotted and issued to Mr. Leung.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Upon completion of the Reorganisation, Idea Lion became a direct wholly-owned subsidiary of our Company and a holding company of Fulam Engineering, details of which are set out in the paragraphs headed “Reorganisation” in this section below.

### **Diamond Step**

Diamond Step was incorporated in the BVI with limited liability on 26 September 2016. It was authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00. No subscriber share was allotted or issued on the date of incorporation. On 11 October 2016, one subscriber share was allotted and issued to Mr. Leung.

Upon completion of the Reorganisation, Diamond Step became a direct wholly-owned subsidiary of our Company and a holding company of Fulam Construction, details of which are set out in the paragraphs headed “Reorganisation” in this section below.

### **Fulam Construction**

Fulam Construction was incorporated in Hong Kong on 3 September 1999 as a limited liability company. It principally engaged in building renovation construction works. As at the date of incorporation, Fulam Construction allotted and issued as fully paid one share (representing 50% of the issued shares at the time) to each of Mr. Ho and Ms. Cheung.

On 6 September 1999, Fulam Construction allotted and issued as fully paid 4,999 shares to Mr. Ho and 4,999 shares to Ms. Cheung. After the said allotments of shares, each of Mr. Ho and Ms. Cheung continued to hold 50% of the issued shares of Fulam Construction.

On 13 September 2002, Mr. Leung acquired 500 shares of Fulam Construction at par from Mr. Ho and another 500 shares of Fulam Construction at par from Ms. Cheung. Such transfers were properly and legally completed and settled. Following the completion of the said transfers, Mr. Leung, Mr. Ho and Ms. Cheung held 10%, 45%, and 45% of the issued shares of Fulam Construction respectively.

On 18 July 2006, the authorised share capital of Fulam Construction was increased from HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each to HK\$1,200,000 divided into 1,200,000 ordinary shares of HK\$1.00 each. On the same day, Fulam Construction allotted and issued as fully paid 399,000 shares, 395,500 shares and 395,500 shares to Mr. Leung, Mr. Ho and Ms. Cheung respectively. Upon completion of the said allotments of shares, Fulam Construction was owned as to approximately 33.3% by Mr. Leung, 33.3% by Mr. Ho and 33.3% by Ms. Cheung.

On 30 August 2013, Ms. Cheung transferred her entire shareholding interests in Fulam Construction to Mr. Leung at a consideration of HK\$400,000. The background of such transfer can be traced back to 2013, when the bank of Fulam Construction required the then directors of Fulam Construction to pledge an additional real property in favor of the bank as security for the banking facilities granted to finance the business operation of Fulam Construction. Ms. Cheung, due to her own personal reasons, decided to retire herself from the management and directorship of Fulam Construction and hence declined to make such financial commitment. As a result, Mr. Leung negotiated with Ms. Cheung to acquire her entire shareholding interests in Fulam Construction and pledged his own real property accordingly in 2014. Such transfer was properly and legally completed and settled. Upon

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

completion of the said transfer, Fulam Construction was owned as to approximately 66.7% by Mr. Leung and 33.3% by Mr. Ho. Ms. Cheung ceased to hold any shareholding interest in Fulam Construction thereafter.

On 3 June 2014, Fulam Construction allotted and issued as fully paid 700,000 shares and 300,000 shares to Mr. Leung and Mr. Ho respectively. Upon completion of the said allotments of shares, Fulam Construction was owned as to approximately 68.2% by Mr. Leung and 31.8% by Mr. Ho. Such shareholding structure of Fulam Construction remained unchanged until immediately prior to the Reorganisation.

Upon completion of the Reorganisation, Fulam Construction became a wholly-owned subsidiary of Diamond Step, details of which are set out in the paragraphs headed “Reorganisation” in this section below.

### **Fulam Engineering**

Fulam Engineering was incorporated in Hong Kong on 4 June 2012 as a limited liability company. It principally engaged in undertaking RMAA and fitting-out works which do not require any registration or licence to carry out. As at the date of incorporation, Fulam Engineering allotted and issued as fully paid five shares (representing 50% of the issued shares at the time) to each of Mr. Leung and Mr. Ho. Such shareholding structure of Fulam Engineering remained unchanged until immediately prior to the Reorganisation.

Upon completion of the Reorganisation, Fulam Engineering became a wholly-owned subsidiary of Idea Lion, details of which are set out in the paragraphs headed “Reorganisation” in this section below.

### **PARTIES ACTING IN CONCERT**

On 11 November 2016, the ultimate Controlling Shareholders, namely Mr. Leung and Mr. Ho, entered into the Concert Parties Confirmatory Deed to acknowledge and confirm:

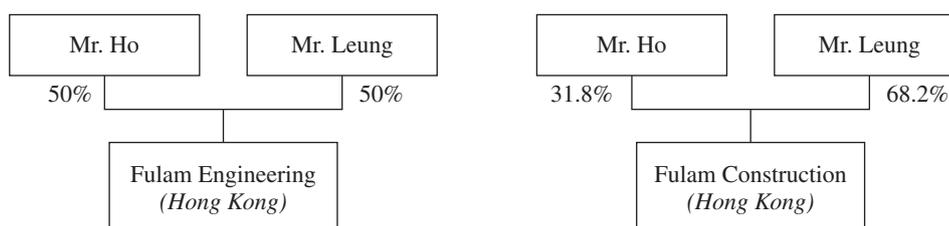
- (a) that among each of them that they are parties acting in concert in respect of each of the members of our Group (collectively the “**Relevant Companies**”) since the date they all acquired direct or indirect shareholding interests in such Relevant Company, which shall continue the same as at and after the date of the Concert Parties Confirmatory Deed;
- (b) they shall continue to give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of the Relevant Companies;
- (c) they shall continue to cast unanimous vote collectively for or against all resolutions in all shareholders’ meetings of the Relevant Companies;
- (d) they shall continue to cooperate with each other to obtain and maintain the consolidated control and the management of the Relevant Companies; and
- (e) they shall obtain written consent from all the parties to the Concert Parties Confirmation Deed in advance of purchasing, selling, pledging or creating any right to acquire or dispose of any securities of our Company and/or any of the Relevant Companies.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

In light of the concert parties arrangement detailed above, the group consisting of Mr. Leung and Mr. Ho and the companies wholly owned by each of them for holding the Shares, namely, Sharp Talent and Diamondfield respectively, is a group of Controlling Shareholders collectively interested in and entitled to exercise control an aggregate of 66.6% of our issued share capital after completion of the Capitalisation Issue and the Public Offer (assuming that no Share is issued pursuant to the exercise of options which may be granted under the Share Option Scheme).

### REORGANISATION

Immediately prior to the Reorganisation, the respective structure of the subsidiaries of our Group was as follows:



### Corporate Restructuring

To rationalise our Group's structure in preparation for the Listing, our Group underwent various corporate restructuring as more particularly described as follows:

- (1) On 25 August 2016, Diamondfield was incorporated in BVI with limited liability. Diamondfield was authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which one share was allotted and issued as fully paid to Mr. Ho at par. Diamondfield was set up as a vehicle of Mr. Ho to hold his interest in our Company.
- (2) On 4 July 2016, Sharp Talent was incorporated in BVI with limited liability. Sharp Talent was authorised to issue a maximum of 50,000 shares of US\$1.00 each, of which one share was allotted and issued as fully paid to Mr. Leung at par. Sharp Talent was set up as a vehicle of Mr. Leung to hold his interest in our Company.
- (3) On 26 September 2016, Idea Lion and Diamond Step were incorporated in BVI with limited liability. For details of the relevant corporate information, please refer to the paragraphs headed "Corporate History — Idea Lion" and "Corporate History — Diamond Step" of this section above.
- (4) On 18 October 2016, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued as fully paid to an initial subscriber at par, which was transferred to Diamondfield on the same date. On the same date, an additional six Shares were allotted and issued as fully paid at par to Diamondfield and an additional 15 Shares were allotted and issued as fully paid at par to Sharp Talent.

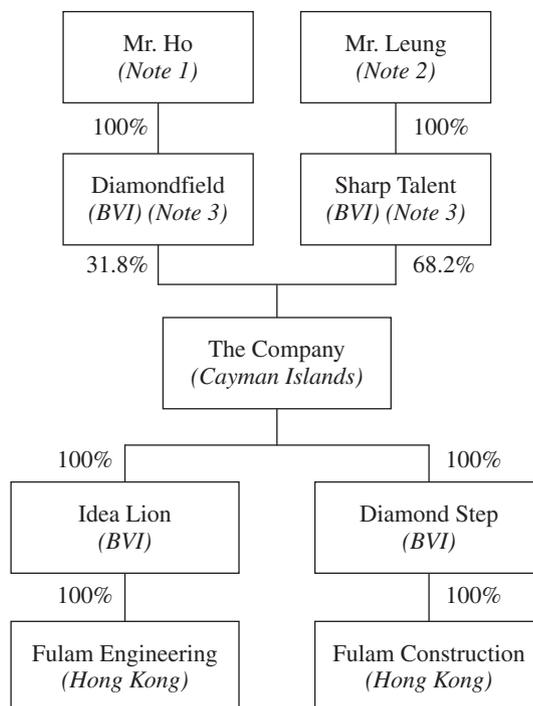
## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (5) On 1 November 2016, Idea Lion acquired (i) five shares (representing 50% of the entire issued shares of Fulam Engineering at the time) of Fulam Engineering from Mr. Ho, and in consideration thereof, Idea Lion allotted and issued as fully paid five shares to Mr. Ho; and (ii) five shares (representing 50% of the entire issued shares of Fulam Engineering at the time) of Fulam Engineering from Mr. Leung, and in consideration thereof, Idea Lion allotted and issued as fully paid four shares to Mr. Leung. Such transfers were properly and legally completed and settled. After the completion of the said transfers, Fulam Engineering became a wholly-owned subsidiary of Idea Lion.
- (6) On 1 November 2016, Diamond Step acquired (i) 700,000 shares (representing approximately 31.8% of the entire issued shares of Fulam Construction at the time) of Fulam Construction from Mr. Ho, and in consideration thereof, Diamond Step allotted and issued as fully paid seven shares to Mr. Ho; and (ii) 1,500,000 shares (representing approximately 68.2% of the entire issued share capital of Fulam Construction at the time) of Fulam Construction from Mr. Leung, and in consideration thereof, Diamond Step allotted and issued as fully paid 14 shares to Mr. Leung. Such transfers were properly and legally completed and settled. After the completion of the said transfers, Fulam Construction became a wholly-owned subsidiary of Diamond Step.
- (7) On 11 November 2016, Mr. Ho and Mr. Leung as vendors and our Company as purchaser entered into a reorganisation agreement, pursuant to which our Company acquired the entire issued share capital of Idea Lion and Diamond Step from Mr. Leung and Mr. Ho. In consideration thereof and at the direction and request of each of Mr. Leung and Mr. Ho, our Company allotted and issued as fully paid seven Shares to Diamondfield and 15 Shares to Sharp Talent. Such transfers were properly and legally completed and settled. Upon completion of the said transfers, each of Idea Lion and Diamond Step became a wholly-owned subsidiary of our Company.

As at the Latest Practicable Date, the Reorganisation had been properly and legally completed and settled in compliance with all relevant laws and regulations.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Upon completion of the Reorganisation set out above, our Company became the holding company of our Group. The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to completion of the Capitalisation Issue and the Public Offer:



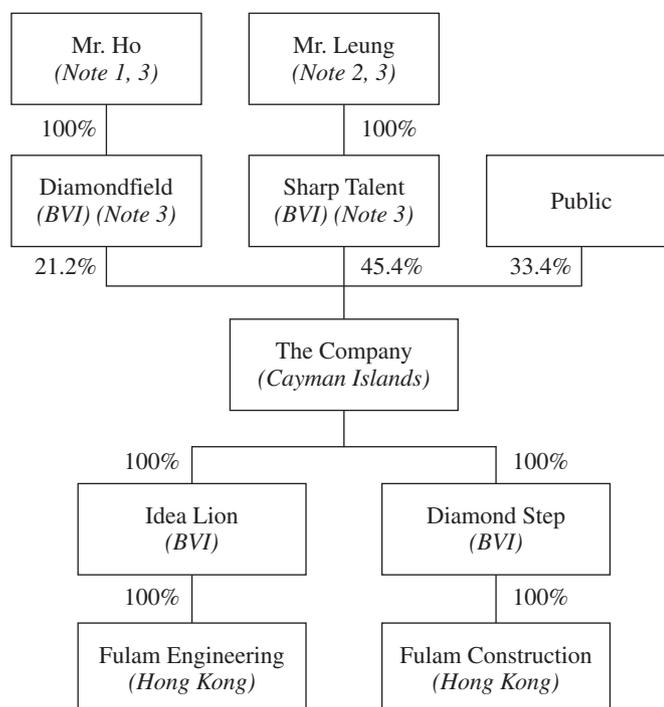
*Notes:*

- (1) Mr. Ho is an executive Director and a Controlling Shareholder.
- (2) Mr. Leung is the chairman of the Board, an executive Director and a Controlling Shareholder.
- (3) Diamondfield and Sharp Talent are the Controlling Shareholders of our Company.

As part of the Public Offer, the Selling Shareholders (i.e. Diamondfield and Sharp Talent) will offer 67,000,000 Sale Shares for sale. For details of the Sale Shares offered by the Selling Shareholders, please refer to the section headed “Structure and conditions of the Public Offer” in this prospectus.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth the shareholding structure of our Group immediately following the Capitalisation Issue and the Public Offer (without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme):



Notes:

- (1) Mr. Ho is an executive Director and a Controlling Shareholder.
- (2) Mr. Leung is the chairman of the Board, an executive Director and a Controlling Shareholder.
- (3) By virtue of the acting in concert arrangement between Mr. Leung and Mr. Ho, which are confirmed and documented in the Concert Parties Confirmatory Deed, Mr. Leung, Mr. Ho and the companies wholly owned by them for holding the Shares, namely Sharp Talent and Diamondfield respectively, will collectively control more than 30% of the issued share capital of our Company. As such, Mr. Leung, Mr. Ho, Sharp Talent and Diamondfield will be a group of Controlling Shareholders.

## BUSINESS

### OVERVIEW

*Our business.* Our Group is an established main contractor for the provision of RMAA and fitting-out works services in Hong Kong. The services that we provide can mainly be categorised into (i) renovation and maintenance works, (ii) alteration and addition works and fitting-out works. In respect of renovation and maintenance works, our services encompass the general upkeep, restoration and improvement of existing facilities and components of the buildings and their surroundings. As for alteration and addition works and fitting-out works, our services revolve around the alteration and addition of building layout and structural works and decoration works to the interior spaces to the existing premises. Our Group mainly acts as the main contractor in the provision of the above services. We are responsible for the overall management, implementation and supervision of projects. In carrying out RMAA and fitting-out works, our primary focus lies on project management, engineering design and preparation of technical submission, devising detailed work programmes, engagement and supervision of subcontractors, procurement of major construction materials, coordination with customers or their consultants and the environmental, safety and quality control of the works carried out by the subcontractors.

*Our revenue.* For the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, our total revenue amounted to approximately HK\$163.4 million, HK\$279.7 million and HK\$95.2 million respectively. The table below sets forth a breakdown of our revenue by the types of services, namely, (i) renovation and maintenance works; (ii) alteration and addition works and fitting-out works; and (iii) a mix of both the renovation and maintenance works and the alteration and addition works and fitting-out works for the years/period indicated:

	<b>For the year ended 31 March 2015</b>		<b>For the year ended 31 March 2016</b>		<b>For the five months ended 31 August 2016</b>	
	<i>(HK\$ million)</i>	<i>(%)</i>	<i>(HK\$ million)</i>	<i>(%)</i>	<i>(HK\$ million)</i>	<i>(%)</i>
Renovation and maintenance works	70.2	43.0	62.2	22.2	22.6	23.7
Alteration and addition works and fitting-out works	39.9	24.4	137.6	49.2	12.1	12.7
Mixed <sup>(Note)</sup>	53.3	32.6	79.9	28.6	60.5	63.6
<b>Total</b>	<b>163.4</b>	<b>100</b>	<b>279.7</b>	<b>100</b>	<b>95.2</b>	<b>100</b>

*Note:* “Mixed” denotes the mixture of both (i) renovation and maintenance works and (ii) alteration and addition works and fitting-out works is provided in a project.

*Our tendering process.* As main contractor in a project, we secure projects through a tendering process. We identify business opportunities by reviewing the tender notices published in local newspapers and through invitations from customers or their consultants to submit tenders for potential projects. A majority of our projects awarded to us during the Track Record Period were obtained through tendering while a few of which were obtained through quotation.

## BUSINESS

*Our licences.* Our Group holds various construction related licences and qualifications that enable us to bid for and carry out contracts for private customers. Our major operating subsidiary, Fulam Construction, has been registered as a Registered General Building Contractor with the Buildings Department since 2003 and a Registered Electrical Contractor with the Electrical and Mechanical Services Department since 2005.

*Our customers.* During the Track Record Period, our major customers included (i) incorporated owners of private residential developments; (ii) corporate customers of private commercial and industrial developments; and (iii) institutional and charitable organisation.

The following table sets forth the revenue generated from different types of development for the years/period indicated:

	<b>For the year ended</b>		<b>For the year ended</b>		<b>For the five months</b>	
	<b>31 March 2015</b>		<b>31 March 2016</b>		<b>ended 31 August 2016</b>	
	<i>(HK\$</i>		<i>(HK\$</i>		<i>(HK\$</i>	
	<i>million)</i>	<i>(%)</i>	<i>million)</i>	<i>(%)</i>	<i>million)</i>	<i>(%)</i>
Residential development	38.5	23.6	95.7	34.2	63.8	67.0
Commercial and industrial development	76.9	47.0	51.4	18.4	25.9	27.2
Institutional and charitable development <sup>(Note)</sup>	48.0	29.4	132.6	47.4	5.5	5.8
<b>Total</b>	<b>163.4</b>	<b>100</b>	<b>279.7</b>	<b>100</b>	<b>95.2</b>	<b>100</b>

*Note:* Institutional and charitable development includes a building for a charitable organisation, an elderly centre, a rehabilitation centre and a private hospital.

*Our suppliers.* During the Track Record Period, our suppliers mainly included (i) our subcontractors and (ii) suppliers of construction materials. For the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, our subcontracting charges accounted for approximately 83.5%, 84.2% and 88.0% of our total cost of sales respectively while our construction material costs accounted for approximately 6.2%, 8.7% and 5.9% of our total cost of sales respectively.

*Our qualifications.* Our Directors believe that our success in the RMAA and fitting-out industry is attributed to not only our extensive knowledge and experience in the industry, but also our commitment to maintaining an effective management system. We have accumulated over 17 years of experience in providing RMAA and fitting-out works services to our customers. Furthermore, we have also received a number of accreditations and certifications for our management system. Our current management system is certified to ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 in the areas of quality, environmental, and occupational health and safety management respectively.

## **COMPETITIVE STRENGTHS**

We believe that our success is attributable to, among other things, the following competitive strengths:

**(i) We have an established operating history of over 17 years and proven track record**

We have over 17 years of experience in the RMAA and fitting-out industry in Hong Kong with our Group being one of the major contractors which provides RMAA and fitting-out works services in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we completed 30 projects, and currently have eight projects in progress. Our Directors believe that our Group has a good reputation for completing projects on time and to the required standard and we have an established reputation as a dedicated RMAA works service provider achieving customer satisfaction by doing quality work, which in return increases our prospects in winning new projects from customers. We have completed a number of remarkable projects for our customers, such as, an alteration and addition project for an international 5-star hotel in Tsim Sha Tsui with an original contract sum of approximately HK\$29.7 million in 2008, a fitting-out project for the change of use of a car park in Tin Shui Wai with an original contract sum of approximately HK\$56.0 million for a horse racing and betting organisation in Hong Kong with over 130 years of operating history in 2008, a mixed project for a residential development on Old Peak Road, Mid-Levels with an original contract sum of approximately HK\$118.7 million in 2011, a project at the Hong Kong Baptist Hospital with an original contract sum of approximately HK\$54.7 million in 2014 and a project for a charitable development in Sha Tin Racecourse with an original contract sum of approximately HK\$167.1 million in 2015. Furthermore, as at the Latest Practicable Date, our building improvement works project for the commercial development adjacent to the ferry terminal in Sheung Wan with an original contract sum of approximately HK\$468.8 million was in progress.

As a result of our relentless effort in providing high standard RMAA and fitting-out works services to our customers, our Group had won numerous awards over the past years. This allowed us to earn the reputation in the RMAA and fitting-out industry as a reliable partner, raising a wide range of award-winning projects. Our ability to satisfy our customers' requirements gives us a competitive edge when attracting business opportunities. Please refer to the paragraphs headed "Business — Recognitions and awards" in this prospectus for a list of awards of our Group.

**(ii) We maintain a credit worthy and diversified customer base**

We position ourselves as a RMAA and fitting-out provider which carries out a variety of RMAA and fitting-out projects. We primarily focus on providing high quality RMAA and fitting-out works services to our customers from the private sector including incorporated owners of private residential and commercial properties, property management companies, corporate customers and institutional and charitable organisation such as Hong Kong Baptist Hospital and a reputable horse racing and betting organisation with a history of over 130 years, which are in general financial sound. Throughout the years, our Group has therefore established a credit worthy customer base. During the Track Record Period, our Group's trade receivables turnover days remained stable at approximately 27 days, 24 days and 28 days as at 31 March 2015, 31 March 2016 and 31 August 2016 respectively. As at the Latest Practicable Date, we had eight projects in progress from different customers. Our Directors believe that this allows us to mitigate financial

and operational risk by spreading revenue across different customers, and enables us to build up expertise across different sectors in the future. Leveraging the diverse nature of RMAA and fitting-out projects undertaken by our Group, we are well-equipped to expand the scope of our services and integrate existing services to customise solutions that can meet our customers' requirements at competitive prices.

**(iii) We have an experienced and professional management team**

All our executive Directors have extensive experience and technical knowledge in the RMAA and fitting-out industry in Hong Kong. Furthermore, we have a dedicated team of senior management who possess the relevant expertise and professional qualifications on project management, which, in the opinion of our Directors, is crucial for us to ensure effective completion of projects undertaken by us.

Our Directors believe that our extensive experience in the RMAA and fitting-out industry, together with our dedicated team of senior management, enable us to remain competitive when securing future contracts. In particular, Mr. Leung, our executive Director, has over 27 years of experience in the RMAA and fitting-out industry and has been a member of the Chartered Institute of Building since July 2002. Mr. Ho, our executive Director, has over 21 years of experience in the RMAA and fitting-out industry and has been an associate member of Hong Kong Institute of Project Management since February 2012. Their professional qualifications and experience will continue to play a key role in the future growth of our Group.

Our Directors believe that attributed to the experience and technical knowledge of our executive Directors and our senior management, we are able to remain competitive and well-positioned in competing for, securing contracts in the future. Our Directors are confident that with the in-depth industry knowledge of our senior management, our Group will remain competitive and reputable in the industry. For further details regarding the experience of our management team, please refer to the section headed "Directors, senior management and employees" in this prospectus.

**(iv) We have the capabilities to provide integrated service for both (i) renovation and maintenance works as well as (ii) alteration and addition works and fitting-out works to our customers**

Our Group has been on the Register of General Building Contractors of the Buildings Department since 2003, therefore we are eligible to carry out general building and street works which do not include any specialised works in designated categories as specified by the Building Authority pursuant to section 8A(2) of the Buildings Ordinance (Cap 123).

Together with our experience in the RMAA and fitting-out industry, we are capable of providing both (i) renovation and maintenance works as well as (ii) alteration and addition works and fitting-out works. In contrast, other contractors in the market without being admitted to the Register of General Building Contractors need to engage subcontractors to carry out works which must be carried out by a Registered General Building Contractor. As such, customers can engage our Group for both types of works for the purpose of minimising their burden on communicating and coordinating different contractors for (i) renovation and maintenance works; and (ii) alteration

## BUSINESS

and addition works and fitting-out works. By providing an integrated and comprehensive RMAA and fitting-out works, we are able to meet different needs of our customers. This allows our customers to face less conflicts and the progress of the projects can be smoother.

### BUSINESS STRATEGIES

Our principal business objectives are to achieve sustainable growth, further strengthen our position in the RMAA and fitting-out industry in Hong Kong, and to create long-term value for our Shareholders by executing the following key strategies:

**Continuing to strengthen our market position in the industry and expand our market share by securing more RMAA and fitting-out works contracts by utilising the net proceeds from the Public Offer to provide surety bonds in favour of our customers**

As at the Latest Practicable Date, we had eight projects in progress, all of them are from customers in the private sector.

We plan to strengthen our position in the industry by continuously seeking opportunities in RMAA and fitting-out works in Hong Kong. During the Track Record Period, we derived all our revenue from RMAA and fitting-out projects in the private sector. According to F&S Report, it is expected that the RMAA industry in the private sector will continue to grow at a steady rate of a CAGR of 3.5% by end of 2020.

According to F&S Report, the RMAA industry is fragmented with the top five players contributing approximately 7.0% of the total of the industry in Hong Kong in 2015, and more than 6,000 existing market players. Over the past years, we have built up a proven track record by completing a number of remarkable projects and have well-positioned ourselves to capture the growth in RMAA and fitting-out works industry in Hong Kong and to widen our customer base.

Furthermore, our Directors consider there is much room for our business expansion and market penetration in the RMAA and fitting-out industry for institutional and charitable organisation. Accordingly, we plan to further expand our RMAA and fitting-out works services by providing RMAA and fitting-out works to institutional and charitable organisation such as universities and hospitals. Our Directors believe that the financial risks faced by our Group is relatively lower since the projects initiated by the private hospitals, institutional and charitable organisation customers are generally perceived to have higher payment credibility and lower default rate in payment risk. In view of the above, our Group will continue to strengthen our position in the market as well as to leverage our various qualifications and expertise in the RMAA and fitting-out industry to solidify and increase our market share.

Our Directors consider that if we are to expand our business and undertake more RMAA and fitting-out projects, we must continue to enhance our available financial resources and strengthen our liquidity position in order to satisfy the surety bond requirement for projects that may potentially be awarded to us. As such, our Directors intend to apply approximately HK\$19.6 million of the net proceeds from the Public Offer, which sum will be earmarked to secure the new contracts we plan to tender. In this connection, it is generally required as a condition of tender for main contractors to take out surety bonds issued by banks or insurance companies in the amount of certain percentage of the contract sum in favour of the potential customers. Our Directors are

confident that our Group would be able to undertake potential new projects with total contract sum of at least HK\$500 million after the Listing. For further details, please refer to the paragraphs headed “Future plans and use of proceeds — Use of proceeds”.

**Expanding our customer base and becoming a Group M1 (Maintenance) building contractor**

With our extensive experience in the renovation and maintenance works industry, we plan to expand our renovation and maintenance services capacity to cover large scale projects by placing bids on renovation and maintenance projects involving public housing estates. Owing to the principle of the Housing Authority being “preservation rather than demolition”, the Housing Authority has implemented certain estate maintenance and improvement programmes to upgrade estate facilities to ensure timely maintenance and proper improve works are taken place in public housing. In particular, there is a “total maintenance scheme” which is a rolling programme for the inspection and repair of the flats in public housing estates and an “estate improvement programme” aiming to ensure that old public rental housing estates will continue to provide their residents with a decent living environment. Our Directors consider that expanding our scope of services and becoming a Group M1 (Maintenance) building contractor will enhance our position in the industry. Our Directors believe that leveraging our experience and expertise in renovation and maintenance works, will allow us to capitalise on this market opportunity after admitting as a Group M1 (Maintenance) building contractor.

If a contractor wishes to tender for the maintenance and improvement projects of the Housing Authority, it must be approved by the Housing Authority under the category of “Building (Maintenance Works)”. The maintenance works category is further subdivided into two groups, namely, Group M1 and Group M2. Contractors in Group M1 are eligible to tender for maintenance and improvement contracts with a value of up to HK\$50 million and for term maintenance and improvement contracts with an average annual expenditure of up to HK\$50 million, whereas contractors in Group M2 are eligible to tender for contracts of unlimited value. For details on the registration criteria, please refer to the paragraphs headed “Laws and regulations — Laws and regulations in relation to the contractor licensing regime and operation — Housing Authority” in this prospectus.

According to the F&S Report, there were 16 companies registered in Group M1 in 2015. Our Directors believe that we are well-equipped with relevant personnel, experience, and a proven track record to apply for registration under Group M1 and penetrate into the market for the renovation and maintenance works for the Housing Authority. We plan to utilise a total of HK\$8.0 million from the proceeds of the Listing for the abovementioned registration purposes. We plan to submit the application for Group M1 (Maintenance) building contractor licence within the period from 1 October 2017 to 31 March 2018. By utilising a part of the proceeds from the Public Offer and our internal resources which would enable us to meet the capital requirement for our application and taking into account the track record and experience and qualification of our personnel and our Group, our Directors consider that there are no legal or commercial impediments for our Group to obtain the Group M1 (Maintenance) building contractor license and expect to become a Group M1 (Maintenance) building contractor within the period from 1 April 2018 to 30 September 2018. For details of our implementation plan, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

**Strengthening our scope of services and becoming a Registered Specialist Contractor (Sub-register of Site Formation Category)**

We are currently registered as a Registered General Building Contractor with the Buildings Department and a Registered Electrical Contractor with the Electrical and Mechanical Services Department. Our Directors consider that becoming a Registered Specialist Contractor (Sub-register of Site Formation Works Category) would further expand our scope of services in the RMAA and fitting-out industry and better equip ourselves to provide comprehensive RMAA and fitting-out works to our customers.

For certain large scale and/or complex RMAA and fitting-out projects, a Registered Specialist Contractor (Sub-register of Site Formation Works Category) is required. For instance, the qualification will be required when the renovation and maintenance works involved slope repair works in the building's vicinity or the alteration and addition works involved site formation works such as construction of retaining structure and excavation works on slope. Since we do not own the qualification, we may not be able to tender for these kinds of projects or we have to engage subcontractors with relevant qualifications. As such, in order to satisfy the eligibility requirements for tendering and carrying out larger and more complex contracts, we plan to obtain new registrations including the registration for the list of Registered Specialist Contractor (sub-register of Site Formation Works Category) under the Buildings Department. For details of the registration criteria, please refer to the paragraphs headed "Laws and regulations — Laws and regulations in relation to the contractor licensing regime and operation — Buildings Department" in this prospectus.

To satisfy the technical and management requirements for attaining such qualifications as set out in the Contractor Management Handbook issued by the Development Bureau, we have to increase our headcounts, provide relevant trainings to our technical staff and accumulate more job experience and reference related to projects involving site formation works, we can then submit job references to the relevant Government departments for their inspection and assessment.

We plan to utilise a total of HK\$2.4 million of our proceeds from the Listing for the abovementioned registration purpose. For details of our implementation plan, please refer to the paragraphs headed "Future plans and use of proceeds — Implementation plans" in this prospectus.

**BUSINESS MODEL**

Our Group provides RMAA and fitting-out services in Hong Kong. We mainly acted as the main contractor in our projects during the Track Record Period and delegated works to our subcontractors under the supervision of and management of our project team. As the main contractor, we are responsible for the overall management, implementation and supervision of our projects. We focus on the management of projects, development of work programmes, procurement of works materials, operation of site works, co-ordination with the customers or their consultants and quality control of the works carried by our employees and our subcontractors.

After we have won a project, we generally categorise the works taking into account the nature of the works, trades concerned and expertise required and, subject to our customers' requirements, select and engage suitable subcontractors from our approved list of subcontractors to perform each relevant part of the works.

## **BUSINESS**

Our Directors, upon obtaining legal advice, confirm that during the Track Record Period, our Group obtained all necessary licences and qualifications that were material to our business operations from the relevant Government authorities and such licences and qualifications remained valid as at the Latest Practicable Date. Please refer to the paragraphs headed “Licences and permits” and “Major certifications” in this section for the major licences and qualifications held by our Group as at the Latest Practicable Date.

### **OUR SERVICES**

The services that our Group provided during the Track Record Period can mainly be divided into three types, namely, (i) the renovation and maintenance works; (ii) alteration and addition works and fitting-out works; and (iii) a mixture of both (i) and (ii) above.

#### **Renovation and maintenance works**

Our renovation and maintenance works include the general upkeep, restoration and improvement of existing facilities and components of buildings and surroundings. The renovation and maintenance works we carry out for our customers include re-roofing, external and internal wall refurbishment, floor rescreeding and retiling, spalling repair, repairing and replacing windows, painting works, plumbing and drainage works, etc.

#### **Alteration and addition works and fitting-out works**

Alteration and addition works and fitting-out works to existing buildings involve the alteration and addition of building layout, the design of new structural works, checking of structural adequacy of existing constructions, and/or alteration and addition of structures like floors, stairs, attic, etc with fitting-out works to make interior space suitable for occupation. The alteration and addition works and fitting-out works services provided by our Group primarily comprise demolition, alteration, fitting-out works, changes in facilities configuration; change of use of buildings; fabrication, modification, removal, or installation of hardware and equipment; erection, relocation, or removal of partitions, doors, and windows; and changes in type of finishes and flooring materials; alteration of swimming pool etc.

Furthermore, our Group, as a Registered General Building Contractor, is qualified to assist our customers to prepare technical submissions and submit relevant forms in accordance with the requirements of the Buildings Ordinance for the alteration and addition works.

Our Directors confirm that during the Track Record Period, all alteration and addition works involving structural elements of the project premises were carried out in accordance with the current Building Regulations and relevant code of practice, and the proposals of such works had been approved by the Building Authority.

## BUSINESS

### OUR PROJECTS

#### Projects by type of services during the Track Record Period

The following table sets forth the revenue generated by (i) renovation and maintenance works; (ii) alteration and addition works and fitting-out works; and (iii) a mixture of both (i) and (ii) above for the years/period indicated:

	<b>For the year ended</b>		<b>For the year ended</b>		<b>For the five months</b>	
	<b>31 March 2015</b>		<b>31 March 2016</b>		<b>ended 31 August 2016</b>	
	<i>(HK\$</i>		<i>(HK\$</i>		<i>(HK\$</i>	
	<i>million)</i>	<i>(%)</i>	<i>million)</i>	<i>(%)</i>	<i>million)</i>	<i>(%)</i>
Renovation and maintenance works	70.2	43.0	62.2	22.2	22.6	23.7
Alteration and addition works and fitting-out works	39.9	24.4	137.6	49.2	12.1	12.7
Mixed <sup>(Note)</sup>	<u>53.3</u>	<u>32.6</u>	<u>79.9</u>	<u>28.6</u>	<u>60.5</u>	<u>63.6</u>
<b>Total</b>	<b><u>163.4</u></b>	<b><u>100</u></b>	<b><u>279.7</u></b>	<b><u>100</u></b>	<b><u>95.2</u></b>	<b><u>100</u></b>

*Note:* “Mixed” denotes the mixture of both (i) renovation and maintenance works and (ii) alteration and addition works and fitting-out works is provided in a project.

#### Projects by type of development during the Track Record Period

The following table sets forth the revenue generated from different types of development for the years/period indicated:

	<b>For the year ended</b>		<b>For the year ended</b>		<b>For the five months</b>	
	<b>31 March 2015</b>		<b>31 March 2016</b>		<b>ended 31 August 2016</b>	
	<i>(HK\$</i>		<i>(HK\$</i>		<i>(HK\$</i>	
	<i>million)</i>	<i>(%)</i>	<i>million)</i>	<i>(%)</i>	<i>million)</i>	<i>(%)</i>
Residential development	38.5	23.6	95.7	34.2	63.8	67.0
Commercial and industrial development	76.9	47.0	51.4	18.4	25.9	27.2
Institutional and charitable development <sup>(Note)</sup>	<u>48.0</u>	<u>29.4</u>	<u>132.6</u>	<u>47.4</u>	<u>5.5</u>	<u>5.8</u>
<b>Total</b>	<b><u>163.4</u></b>	<b><u>100</u></b>	<b><u>279.7</u></b>	<b><u>100</u></b>	<b><u>95.2</u></b>	<b><u>100</u></b>

*Note:* Institutional and charitable development includes a building for a charitable organisation, an elderly centre, a rehabilitation centre and a private hospital.

## BUSINESS

### Projects completed during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, we have completed 30 projects. The table below sets forth details of our projects completed during the Track Record Period with an individual original contract sum of not less than HK\$2.0 million:

Project	Location of development	Type of development	Type of service(s) provided (Note 1)	Commencement date (Note 2)	Completion date (Note 3)	Revenue recognised during the Track Record Period	
						Original contract sum (approximately HK\$ million) (Note 4)	the Track Record Period (approximately HK\$ million) (Note 5)
1	Nam Cheong Street, Shek Kip Mei	Institutional and charitable development	Alteration and addition works and fitting-out works	March 2014	May 2014	3.9	FY2015: 3.7 FY2016: 0 Stub: 0
2	Connaught Road Central, Sheung Wan	Commercial development	Renovation and maintenance works	February 2014	July 2014	6.8	FY2015: 5.3 FY2016: 0 Stub: 0
3	Chui Tin Street, Tai Wai	Residential development	Renovation and maintenance works	November 2011	July 2014	32.3	FY2015: 0.4 FY2016: 0 Stub: 0
4	Waterloo Road, Kowloon Tong	Institutional and charitable development	Mixed	April 2012	August 2014	54.7	FY2015: 22.5 FY2016: 0 Stub: 0
5	Robinson Road, Mid-levels	Residential development	Renovation and maintenance works	April 2013	August 2014	5.5	FY2015: 0.9 FY2016: 0 Stub: 0
6	Yat Sin Street, Wan Chai	Commercial development	Alteration and addition works and fitting-out works	July 2014	December 2014	8.0	FY2015: 7.6 FY2016: 0.4 Stub: 0
7	Tai Hang Road, Tai Hang	Residential development	Alteration and addition works and fitting-out works	April 2014	April 2015	4.8	FY2015: 3.2 FY2016: 1.6 Stub: 0
8	Nathan Road, Mong Kok	Commercial development	Renovation and maintenance works	June 2014	April 2015	4.8	FY2015: 4.3 FY2016: 1.0 Stub: 0
9	Cheung Fai Road, Tsing Yi	Industrial development	Renovation and maintenance works	March 2014	September 2015	88.7	FY2015: 51.1 FY2016: 35.3 Stub: 4.3
10	Shan Tin Racecourse, Shatin	Institutional and charitable development	Alteration and addition works and fitting-out works	February 2015	September 2015	167.1	FY2015: 20.4 FY2016: 132.4 Stub: 5.4
11	Salisbury Road, Tsim Sha Tsui	Commercial development	Renovation and maintenance works	March 2015	December 2015	9.5	FY2015: 0.3 FY2016: 9.2 Stub: 0.1

## BUSINESS

Project	Location of development	Type of development	Type of service(s) provided (Note 1)	Commencement date (Note 2)	Completion date (Note 3)	Original contract sum	Revenue recognised during the Track Record Period
						(approximately HK\$ million) (Note 4)	(approximately HK\$ million) (Note 5)
12	Old Peak Road, Mid-levels	Residential development	Mixed	May 2014	December 2015	41.5	FY2015: 22.5 FY2016: 22.8 Stub: 0
13	Stubbs Road, Mid-levels	Residential development	Renovation and maintenance works	October 2014	July 2016	12.9	FY2015: 3.9 FY2016: 10.0 Stub: 0.3
14	Alnwick Road, Kowloon Tong	Residential development	Mixed	September 2015	August 2016	18.7	FY2015: 0 FY2016: 15.0 Stub: 3.6
15	Kwun Tong Road, Kwun Tong	Industrial development	Renovation and maintenance works	February 2016	September 2016	2.7	FY2015: 0 FY2016: 0.3 Stub: 3.4
16	Magazine Gap Road, Mid-levels	Residential development	Renovation and maintenance works	October 2015	November 2016	8.2	FY2015: 0 FY2016: 4.7 Stub: 3.9
17	Magazine Gap Road, Mid-levels	Residential development	Alteration and addition works and fitting-out works	January 2016	November 2016	6.5	FY2015: 0 FY2016: 1.3 Stub: 4.7
18	Sui Wo Road, Sha Tin	Residential development	Mixed	January 2016	January 2017	27.2	FY2015: 0 FY2016: 7.1 Stub: 16.8

*Notes:*

1. “Mixed” denotes the mixture of both (i) renovation and maintenance works and (ii) alteration and addition works and fitting-out works is provided in a project.
2. This refers to the commencement date specified in the contract or the instruction issued by the customer’s representative pursuant to the contract.
3. This refers to the date of the issue of practical completion certificate.
4. The original contract sum refers to the contract sum stated in the original contract, and does not reflect any adjustments made due to variation orders (if any) or adjustment in contract sum after the award of contract. For the contracts commenced before the Track Record Period, part of the contract sum had been recognised as revenue before the Track Record Period.
5. “FY2015” denotes the financial year ended 31 March 2015, “FY2016” denotes the financial year ended 31 March 2016 and “stub” denotes the five months ended 31 August 2016.

# BUSINESS

## Projects in progress as at the Latest Practicable Date

As at the Latest Practicable Date, we had eight projects in progress with a total original contract sum of approximately HK\$708.1 million and out of which a total revenue of approximately HK\$85.7 million was recognised during the Track Record Period, details of which are set out below:

Project	Location of development	Type of development	Type of service(s) provided (Note 1)	Major scope of works involved	Commencement date (Note 2)	Expected completion date (Note 3)	Original contract sum (approximately HK\$ million) (Note 4)	Track Record Period (approximately HK\$ million) (Note 5)	Amount of revenue to be recognised after the Track Record Period as estimated by management (approximately HK\$ million) (Note 5)
1	South Bay Road, Repulse Bay	Residential development	Mixed	Concrete repair works External wall re-rendering and retiling works G/F Lobby fitting-out works Structural alteration and addition works Metal and stone cladding and glass reinforced concrete featuring works Waterproofing works Building services installation works	October 2015	August 2017	132.8	FY2015: 0 FY2016: 30.5 Stub: 23.9	FY2017: 46.6 FY2018: 37.2
2	Connaught Road Central, Sheung Wan	Commercial development	Mixed	Building and structural alteration and addition works (stone and metal cladding and glass wall) External wall renovation works including tiling and curtain wall frame renovation works Electrical and mechanical installation works Interior fitting-out works of toilet Carpark renovation works	February 2016	March 2018	468.8	FY2015: 0 FY2016: 3.4 Stub: 16.2	FY2017: 141.0 FY2018: 308.2
3	Kennedy Road, Mid-levels	Residential development	Renovation and maintenance works	Concrete repair works Retiling works at external wall Electrical and mechanical installation works Plumbing and drainage installation works Fire services improvement works Waterproofing works Carpark renovation works	February 2016	February 2017	32.4	FY2015: 0 FY2016: 1.2 Stub: 10.5	FY2017: 20.8
4	Waterloo Road, Kowloon Tong	Institutional and charitable development	Alteration and addition works and fitting-out works	Building and structural alteration and addition works Demolition of dumbwaiter Electrical and mechanical installation works	October 2016	May 2017	1.1	N/A <sup>(Note 6)</sup>	FY2017: 0.9 FY2018: 0.2
5	Portland Street, Mong Kok	Commercial development	Mixed	Alteration and addition works and fitting-out works for the proposed guesthouse Electric and mechanical installation works Five services improvements works	February 2017	October 2017	59.7	N/A <sup>(Note 6)</sup>	FY2017: 6.5 FY2018: 53.2
6	Salisbury Road, Tsim Sha Tsui	Commercial development	Mixed	Alteration and addition works and reroofing works and repair works to building fabric of roof	February 2017	October 2017	11.5	N/A <sup>(Note 6)</sup>	FY2017: 2.0 FY2018: 9.5
7	Waterloo Road, Kowloon Tong	Institutional and charitable development	Alteration and addition works and fitting-out works	Replacement of windows and interior finishing	December 2016	April 2017	1.5	N/A <sup>(Note 6)</sup>	FY2017: 1.0 FY2018: 0.5
8	On Muk Street, Sha Tin	Institutional and charitable development	Renovation and maintenance works	Replacement of college logo at the external wall	February 2017	April 2017	0.3	N/A <sup>(Note 6)</sup>	FY2017: 0.2 FY2018: 0.1

**Notes:**

1. “Mixed” denotes the mixture of both (i) renovation and maintenance works and (ii) alteration and addition works and fitting-out works is provided in a project.
2. Unless otherwise specified, this refers to the contract date, the commencement date specified in the contract or the instruction issued by the customer’s representative pursuant to the contract.

## BUSINESS

3. Unless otherwise specified, this refers to the expected completion date estimated by management.
4. Original contract sum and amount of revenue to be recognised after the Track Record Period excludes any variation orders or adjustments in contract sum after the award of contract.
5. "FY2015" denotes the financial year ended 31 March 2015, "FY2016" denotes the financial year ended 31 March 2016 and "stub" denotes the five months ended 31 August 2016 while "FY2017" denotes the financial year ending 31 March 2017 and "FY2018" denotes the financial year ending 31 March 2018.
6. The project was awarded after the Track Record Period and thus no revenue was recognised during the Track Record Period.

### Movement of our backlog

The following table sets forth the movement of backlog of our projects, representing the total estimated contract value of works (including adjustments and variation orders) which remain to be completed pursuant to the terms of the outstanding contracts as at a certain date and assuming performance in accordance with terms of the contract, during the Track Record Period:

	<b>Number of projects</b>	<b>Value of backlog</b> <i>approximately</i> <i>HK\$ million</i>
On-going projects as at 1 April 2014	12	138.9
New contracts awarded during FY2015 ( <i>Note 1</i> )	8	252.9
Projects completed/Revenue recognised during FY2015 ( <i>Note 2</i> )	(13)	(163.4)
<b>On-going projects as at 31 March 2015</b>	<b>7</b>	<b>228.4</b>
On-going projects as at 1 April 2015	7	228.4
New contracts awarded during FY2016 ( <i>Note 1</i> )	9	696.7
Projects completed/Revenue recognised during FY2016 ( <i>Note 2</i> )	(7)	(279.7)
<b>On-going projects as at 31 March 2016</b>	<b>9</b>	<b>645.4</b>
On-going projects as at 1 April 2016	9	645.4
New contracts awarded during the period five months ended 31 August 2016 ( <i>Note 1</i> )	4	11.0
Projects completed/Revenue recognised during the period five months ended 31 August 2016 ( <i>Note 2</i> )	(4)	(95.2)
<b>On-going projects as at 31 August 2016</b>	<b>9</b>	<b>561.2</b>

## BUSINESS

*Notes:*

1. Value of new contracts means the total contract sum of new projects (taking into account adjustments and variation orders) as at the end of the relevant financial year/period which were awarded to us during the relevant financial year/period.
2. Revenue recognised means the value of contract work recognised as revenue during the relevant financial year/period.

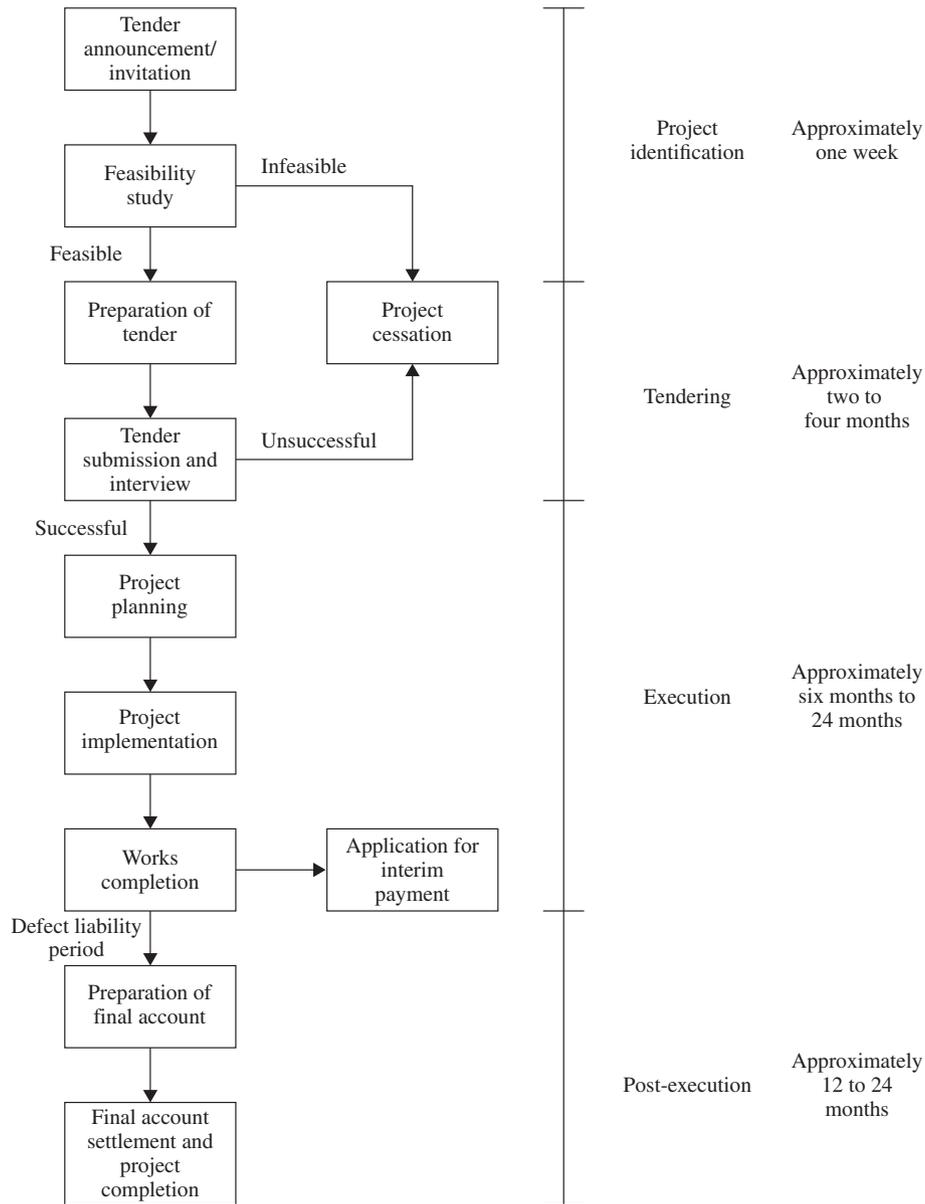
After the Track Record Period and up to the Latest Practicable Date, we were awarded six additional projects, which were (i) a renovation and maintenance works project, mainly involving replacement of damaged drainage pipes for the Hong Kong Baptist Hospital, with an original contract sum of approximately HK\$0.2 million; (ii) an alteration and addition works and fitting-out works project, mainly involving the demolition of linen dumbwaiter for the Hong Kong Baptist Hospital, with an original contract sum of approximately HK\$1.1 million; (iii) a mixed project, mainly involving RMAA roofing works for a private commercial building on Salisbury Road, Tsim Sha Tsui, with an original contract sum of approximately HK\$11.5 million; (iv) a mixed project, mainly involving alteration and addition works and fitting-out works for the proposed guesthouse for a commercial development on Portland Street, Mongkok with an original contract sum of approximately HK\$59.7 million; (v) an alteration and addition works and fitting-out works project, mainly involving replacement of windows and interior finishing for the Hong Kong Baptist Hospital, with an original contract sum of approximately HK\$1.5 million; and (vi) a renovation and maintenance works project, mainly involving replacement of college logo at the external wall for an institutional organisation on On Muk Street, Sha Tin, with an original contract sum of approximately HK\$0.3 million.

As at the Latest Practicable Date, we had eight contracts on hand with a total outstanding contract value of approximately HK\$622.3 million. Based on the management's estimation, taking into account of the respective existing timetable, approximately HK\$238.5 million is expected to be recognised for the seven months ending 31 March 2017 and approximately HK\$248.5 million is expected to be recognised for the six months ending 30 September 2017.

# BUSINESS

## OUR OPERATION

Our operation mainly involves the preparation of tenders, execution of works, coordination and supervision of our subcontractors and ensuring the quality of our works. For illustration purposes, a simplified flow diagram of our key operational procedures relating to our RMAA projects is set out below:



*Note:* The time frame is calculated on an approximate basis and may vary from project to project depending on the complexity of the project, the requirements of individual customers, and/or our agreement with individual customers on the relevant timeframe for the relevant stages.

Details of key operational procedures as illustrated in the diagram above are set forth below:

### **Project identification**

We identify potential projects mainly from tender invitations from our customers or by participation in open tenders. We occasionally receive quotation requests from our customers.

For the potential projects by invitation, we are usually invited by our customers or their representatives by way of invitation letters, phone calls or verbal invitations to submit a tender proposal for a potential project as the main contractor thereof. For the potential projects by open tenders, we identify those projects from the tender notices published in local newspapers. Our customers include (i) incorporated owners of private residential and commercial developments; (ii) corporate customers of private commercial and industrial developments; and (iii) institutional and charitable organisation.

Depending on the requirements of our customers, our Group may also be required to participate in pre-qualification where prior assessment will be carried out by our potential customers or their representative before providing us with the tender documents. During the Track Record Period, the pre-qualification exercise we had participated typically required our Group to submit a list of current and past projects undertaken by our Group, an organisational chart, our financial statements and the resumes of proposed project management team for the potential customers' consideration. Once our Group's qualification and experience are accepted by the potential customers, our Group will be provided with the tender documents with an invitation to submit a tender. In the case which pre-qualification is not required, our Group will be invited to collect the tender documents and/or to attend the pre-tender submission interview.

The tender documents generally include preliminary information on the scope of works, expected contract period and the closing time for submission of the tender. Sometimes, our potential customers may require us to provide an express of interest for tender before providing us with the tender documents.

### **Feasibility study and preparation of tenders**

After receiving the tender or quotation details, our Directors make a preliminary assessment of the requirements of the tender. In our assessment, in considering whether to bid for the tender, we evaluate the profitability of the project, the feasibility of undertaking the project with reference to technical complexity of the works involved, the requirements relating to expertise and qualifications, our available labour, financial (including cash flow) and management resources, the estimated costs and potential profit margin, preliminary safety and environmental risk analysis and other possible risk factors associated with such project. We may have to decline a tender invitation if our then prevailing resources are already taken up by other projects.

If our Directors consider that a project is commercially viable, our tender department will proceed to prepare for the submission of tender. Prior to the preparation of the tender documents, our tender department will first review the project requirements in detail, solicit quotations from suppliers and subcontractors, and if necessary, preliminary price of the project items. For further details of our pricing strategy, please refer to the paragraphs headed "Pricing strategy" in this section.

## BUSINESS

Depending on the scope of works involved in the project, we will conduct a visit to the project site in order to have a better understanding of site conditions and constraints, which is necessary for us to determine our proposal. Our tender department will also evaluate the complexity and technicality of the project.

After completing the preliminary study, we can then proceed to work out a comprehensive tender proposal comprising of the following:

- (i) an overall programme, setting out a tentative schedule for the entire project;
- (ii) a cost plan providing for the estimated costs of the project;
- (iii) a resources plan delineating the materials and subcontractors involved in the project;
- (iv) the form of tender specifying the tender sum;
- (v) priced schedule of rates;
- (vi) a method statement with necessary work drawings;
- (vii) an environmental protection method (if applicable);
- (viii) terms of the contract; and
- (ix) a site safety supervision plan in accordance with the specifications provided by our customers.

Our Directors consider that our ability to formulate a competitive tender is essential for us to maintain a satisfactory profit margin in the project. Our Directors, with the assistance from our tender department, will negotiate with our customers on the proposed tender sum and then finalise the tender documents, especially the pricing of items and the final tender sum to ensure our tender remains competitive and at the same time, maintains the profit margin based on their experience and knowledge of the construction industry.

Upon receipt of our tender, our customers may further issue tender enquiries or conduct tender interviews with us in order to clarify the particulars of our submitted tender before they decide to award the contracts to us.

## BUSINESS

A majority of our projects awarded to us during the Track Record Period were obtained through tendering while a few of which were obtained through quotations. For the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, the total revenue generated by construction projects obtained through tendering accounted for approximately 87.8%, 98.8% and 99.9% of our total revenue respectively whereas the remaining 12.2%, 1.2% and 0.1% of our revenue was generated from the projects obtained through quotations respectively. The following table sets out the details for the tenders we submitted and the relevant success rate during the Track Record Period:

	<b>For the year ended 31 March</b>		<b>For the five months ended</b>
	<b>2015</b>	<b>2016</b>	<b>31 August 2016</b>
The number of tenders submitted	88	107	50
The number of contracts awarded to our Group	5	8	2
Success rate (%)	5.7	7.5	4.0

Our tenders or quotations are based on our estimates and available information, taking into consideration the deployment of our resources including our labour, materials and financial resources required to carry out our services as well as the complexity and length of the relevant projects. Generally, we priced a project based on a cost-plus pricing model with a markup so we can deliver quality work and at the same time achieve a reasonable profit margin. During the Track Record Period, we had been able to maintain a relatively stable gross profit margin of approximately 10.7%, 10.8% and 13.3% for the year ended 31 March 2015 and 31 March 2016 and the five months ended 31 August 2016. This prudent approach in our costs estimation and our pricing policy may cause our tender price/quotation to be less competitive than other submitted tender(s)/quotation(s). Furthermore, we usually submit tenders in order to keep our presence in the market and keep ourselves abreast of the latest market requirements and pricings, which are considered to be useful in preparing similar tenders in the future. As such, we had recorded a relatively low tender success rate during the Track Record Period as set out in the table above.

Furthermore, having deployed a large portion of our labour and financial resources for carrying out the works for projects on hand, in particular, the large-scale ongoing project relating to the commercial development adjacent to the ferry terminal in Sheung Wan, which had an original contract sum of approximately HK\$468.8 million since its commencement in February 2016, we had become more selective in submitting tenders after considering our then available labour, financial (including cash flow) and management resources, which are important factors we would consider before bidding for new tenders. As such, we had been less aggressive in submitting competitive tenders after committing most of the resources in this large-scale project and other projects in progress as at the Latest Practicable Date. As a result, our tender success rate for the five months ended 31 August 2016 was lower compared to the past two financial years.

## BUSINESS

### Execution

Once a project is awarded to us, our tender department will give a brief account of the basic information of the works and highlight the key features thereof to our project team. Depending on the scale and complexity of individual projects, a project team is formed for each project. Our project team will then work out a preliminary plan for carrying out the project in order to ensure that the project can be executed effectively and efficiently. This preliminary plan also contains the arrangements with subcontractors (if applicable) and/or suppliers (if necessary), the deployment of labour and general health, safety and environmental plans for the project.

The table below sets out the major responsibilities of each key member in a project team:

<b>Position</b>	<b>Responsibilities</b>
Project manager	<ul style="list-style-type: none"><li>● Conduct overall planning and supervision of the project</li><li>● Select appropriate personnel, suppliers and subcontractors</li><li>● Attend coordination meetings with suppliers and subcontractors</li><li>● Ensure compliance with contractual and statutory requirements as well as internal quality, environmental and safety policies</li><li>● Review performance of subcontractors and suppliers</li><li>● Prepare interim payment application and final account</li><li>● Report to our Directors and customers on the progress of the project and any issues</li></ul>
Project coordinator/site agent/foreman	<ul style="list-style-type: none"><li>● Supervise workers on site</li><li>● Procure materials and check all machineries and handtools on site (if any) we maintained in good conditions</li><li>● Organise site works to be carried out to the required standard</li><li>● Report to our project manager for the progress of the project and any issues</li></ul>
Building services coordinator	<ul style="list-style-type: none"><li>● Coordinate building services systems' design, construction, testing and commissioning</li></ul>
Safety officer/supervisor	<ul style="list-style-type: none"><li>● Perform check and inspection on site safety</li><li>● Ensure compliance of site staff with the applicable safety laws and regulations, site safety instructions and our guidelines</li><li>● Advise measures to ensure site safety</li><li>● Conduct safety training to all workers on site</li><li>● Plan and maintain good house-keeping on site</li></ul>

## BUSINESS

Our project team is responsible for monitoring the progress, costs incurred and quality of works during the course of carrying out the contract in order to ensure that both our customer's requirements and the statutory requirements are met. Generally, the project team reports to our Directors at least twice a month in order to ensure that the project progress is in accordance with the schedule set by our customers and to allocate sufficient resources such as staff, machineries and equipment for the project. The project team will also prepare payment applications, based on the amount of works completed on a monthly basis and submit such applications to the customers or their representatives for certifying the actual work done under the contract.

At the same time, our project team will review the progress of implementation for our construction works, keep frequent contact with our customers and their professional representatives, like architects, engineers and quantity surveyors, and report the site progress to them and resolve any problems which may arise when carrying out the contract works. The project manager is responsible for communicating with the customer about the additional/variation works to be undertaken by us, which may entitle us to additional payments under the variation orders, instructions and seeking feedback from customers.

Our project team is responsible for engaging and procuring suitable subcontractors and/or materials if required under the projects. For further details in relation to the procurement of subcontractors and suppliers, please refer to the paragraphs headed "Suppliers — Selection of suppliers" in this section.

For some contracts, we are required to provide surety bonds issued by a bank or an insurance company backed by cash collateral and/or guarantees in favour of our customers to secure our performance under the contracts, which is common in our industry. The amount of the surety bonds required for each project is typically 10% of the total contract sum. Our surety bonds normally expire or are released upon completion of the project or as otherwise specified in the contract. Our Directors confirm that there was no claim on any surety bond during the Track Record Period. During the Track Record Period, we engaged the services of insurance companies that provide such surety bonds by pledging to them approximately 10% to 30% of the total surety bond amount required (generally the amount of the pledged deposit was equivalent to 1% to 3% of total awarded contract sum), depending on the terms of the respective surety bond, in the form of cash. Please refer to the paragraphs headed "Customers — Key contract terms with our customers" in this section for further details.

As a main contractor, we are generally required, depending on the contract terms, to take out contractors' all risks, employees' compensation, and sometimes, professional indemnity insurance, to comply with the applicable laws and regulations and/or the requirements under the contracts. Please refer to the paragraphs headed "Insurance" in this section for further details.

### **Post-execution of works**

After we have completed all the RMAA and fitting-out works and the professional representatives of our customers have certified the works as duly completed (if so required under the relevant contract), the defect liability period, which normally lasts for 12 months, will commence. We are liable to make good any defects of the works identified during such period caused by defective materials, goods or substandard workmanship at our own cost. At the same time, if our customers have withheld retention money under the contract, the customers will release

## BUSINESS

part of the retention money to us upon completion of the works under the contract. Meanwhile, our project manager is responsible to prepare and liaise with our customers on the final account of the project. Our Directors believe that substantiations of the proposed final contract sum and negotiations on the final contract sum between our customers and us during the preparation of final accounts are common in the construction industry, which as a result thereof, there may be a time gap between the completion of works and the final completion of the construction project.

When the defect liability period expires, the professional representatives of the customers will carry out an on-site inspection. Once they have certified that there are no uncompleted items or defects in the works that have not been made good for the contract, the remaining retention money will be released to us.

### CUSTOMERS

During the Track Record Period, our major customers included (i) incorporated owners of private residential and commercial developments; (ii) corporate customers of private commercial and industrial developments; and (iii) institutional and charitable organisation. We therefore have established a relatively broad customer base for our services.

#### Major customers

For the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 74.6%, 82.6% and 76.5%, respectively, while the percentage of our total revenue attributable to our largest customer amounted to approximately 31.2%, 47.3% and 22.0%, respectively.

The following tables set forth the breakdown of our revenue by our five largest customers during the Track Record Period:

*For the year ended 31 March 2015:*

Customer	Revenue (approximately HK\$ million)	Approximate percentage to the revenue of our Group for that year (%)	Principal business or sector of the customer	Main category of works undertaken by our Group	The calendar year in which the customer first started to have business relationship with our Group
Customer A	51.0	31.2	Subsidiary of a company listed on the Main Board with principal activities in investment holding and property investment <i>(Note 1)</i>	Renovation and maintenance works	2010

## BUSINESS

<b>Customer</b>	<b>Revenue (approximately HK\$ million)</b>	<b>Approximate percentage to the revenue of our Group for that year (%)</b>	<b>Principal business or sector of the customer</b>	<b>Main category of works undertaken by our Group</b>	<b>The calendar year in which the customer first started to have business relationship with our Group</b>
Hong Kong Baptist Hospital	22.5	13.8	A private hospital in Waterloo Road, Kowloon Tong	Renovation and maintenance works; and alteration and addition works and fitting-out works	2009
Customer B	20.4	12.5	A horse racing and betting organisation in Hong Kong with over 130 years of operating history	Alteration and addition works and fitting-out works	2008
Customer C	20.3	12.4	Incorporated owners of a private housing estate on Old Peak Road, Mid-levels	Renovation and maintenance works; and alteration and addition works and fitting-out works	2014
Newly Plan Limited	7.6	4.7	Private company incorporated in Hong Kong which has been carrying on food and beverage business	Alteration and addition works and fitting-out works	2014

*Notes:*

- (1) According to the latest annual report of the holding company of Customer A for the year ended 31 December 2015 published on the website of the Stock Exchange, Customer A mainly carried out property development, investment holding, property sale and hotel operation business.
- (2) Except for Hong Kong Baptist Hospital and Newly Plan Limited, none of our five largest customers listed above has given its consents to disclose its names in this prospectus despite our enquiries.

## BUSINESS

*For the year ended 31 March 2016:*

<b>Customer</b>	<b>Revenue</b> <i>(approximately HK\$ million)</i>	<b>Approximate percentage to the revenue of our Group for that year (%)</b>	<b>Principal business or sector of the customer</b>	<b>Main category of works undertaken by our Group</b>	<b>The calendar year in which the customer first started to have business relationship with our Group</b>
Customer B	132.4	47.3	A horse racing and betting organisation in Hong Kong with over 130 years of operating history	Alteration and addition works and fitting-out works	2008
Customer A	35.2	12.6	Subsidiary of a company listed on the Main Board with principal activities in investment holding and property investment <i>(Note 1)</i>	Renovation and maintenance works	2010
The Incorporated Owners of Ruby Court	28.1	10.0	Incorporated owners of a private housing estate on South Bay Road, Repulse Bay	Renovation and maintenance works; and alteration and addition works and fitting-out works	2015
Customer C	20.3	7.3	Incorporated owners of a private housing estate on Old Peak Road, Mid-levels	Renovation and maintenance works; and alteration and addition works and fitting-out works	2014

## BUSINESS

<b>Customer</b>	<b>Revenue (approximately HK\$ million)</b>	<b>Approximate percentage to the revenue of our Group for that year (%)</b>	<b>Principal business or sector of the customer</b>	<b>Main category of works undertaken by our Group</b>	<b>The calendar year in which the customer first started to have business relationship with our Group</b>
Customer D	15.0	5.4	Incorporated owners of a private housing estate on Alnwick Road, Kowloon Tong	Renovation and maintenance works; and alteration and addition works and fitting-out works	2015

*Notes:*

- (1) According to the latest annual report of the holding company of Customer A for the year ended 31 December 2015 published on the website of the Stock Exchange, Customer A mainly carried out property development, investment holding, property sale and hotel operation business.
- (2) Except for the Incorporated Owners of Ruby Court, none of our five largest customers listed above has given its consents to disclose its names in this prospectus despite our enquiries.

*For the five months ended 31 August 2016:*

<b>Customer</b>	<b>Revenue (approximately HK\$ million)</b>	<b>Approximate percentage to the revenue of our Group for that period (%)</b>	<b>Principal business or sector of the customer</b>	<b>Main category of works undertaken by our Group</b>	<b>The calendar year in which the customer first started to have business relationship with our Group</b>
The Incorporated Owners of Ruby Court	20.9	22.0	Incorporated owners of a private housing estate on South Bay Road, Repulse Bay	Renovation and maintenance works; and alteration and addition works and fitting-out works	2015

## BUSINESS

<b>Customer</b>	<b>Revenue</b> <i>(approximately HK\$ million)</i>	<b>Approximate percentage to the revenue of our Group for that period (%)</b>	<b>Principal business or sector of the customer</b>	<b>Main category of works undertaken by our Group</b>	<b>The calendar year in which the customer first started to have business relationship with our Group</b>
The Incorporated Owners of Greenwood Terrace	16.8	17.6	Incorporated owners of a private housing estate on Sui Wo Road, Shatin	Renovation and maintenance works; and alteration and addition works and fitting-out works	2015
Customer E	16.2	17.0	Subsidiary of a company listed on the Main Board with core businesses in property, transportation, hospitality and investment sectors <i>(Note 1)</i>	Renovation and maintenance works; and alteration and addition works and fitting-out works	2015
Customer F	10.4	10.9	Incorporated owners of a private housing estate on Kennedy Road, Mid-levels	Renovation and maintenance works	2016
Customer G	8.6	9.0	Incorporated owners of a private housing estate on Magazine Gap Road, Mid-levels	Renovation and maintenance works; and alteration and addition works and fitting-out works	2015

*Notes:*

- (1) According to the latest annual report of the holding company of Customer E for the year ended 31 December 2015 published on the website of the Stock Exchange, Customer E mainly offered property management service in Hong Kong and Macau.
- (2) Except for the Incorporated Owners of Ruby Court and the Incorporated Owners of Greenwood Terrace, none of our five largest customers listed above have given their consents to disclose their names in this prospectus despite our enquiries.

## BUSINESS

Set out below is a summary of the project details that contributed revenue from our five largest customers during the Track Record Period:

Customer	Financial year(s)/ period of being our five largest customer <i>(Note)</i>	Particulars of the project which contributed revenue to the respective customer during the Track Record Period		Original contract sum <i>(approximately HK\$ million)</i>
		Type of services provided	Major scope of works involved	
Customer A	FY2015 and FY2016	Renovation and maintenance works	Concrete repair works External wall and internal area renovation works Window inspection and replacement Carpark renovation works Plumbing and drainage installation works Electrical and fire services installation works	88.7
Hong Kong Baptist Hospital	FY2015	Mixed	Building and structural alteration and addition works Interior fitting-out works Carpark renovation works Building services installation works	54.7
Customer B	FY2015 and FY2016	Alteration and addition works and fitting-out works	Interior fitting-out works for telebet centre and general office Electrical and mechanical installation works	167.1
Customer C	FY2015 and FY2016	Mixed	Building and structural alteration and addition works External wall renovation works Electrical and fire services installation works Plumbing and drainage installation works Mechanical ventilation and air conditioning installation works Carpark renovation works	41.5
Newly Plan Limited	FY2015	Alteration and addition works and fitting-out works	Building and structural alteration and addition works Interior fitting-out works Lighting installation works	8.0
The Incorporated Owners of Ruby Court	FY2016 and stub	Mixed	Concrete repair works External wall re-rendering and retiling works G/F Lobby fitting-out Structural alteration and addition works Metal and stone cladding and glass reinforced concrete featuring works Waterproofing works Building services installation works	132.8

## BUSINESS

<b>Particulars of the project which contributed revenue to the respective customer during the Track Record Period</b>				
<b>Customer</b>	<b>Financial year(s)/ period of being our five largest customer <i>(Note)</i></b>	<b>Type of services provided</b>	<b>Major scope of works involved</b>	<b>Original contract sum   (approximately   HK\$ million)</b>
Customer D	FY2016	Mixed	Building and structural alteration and addition works External wall renovation works Waterproofing works at roof Electrical and fire services installation works Plumbing and drainage installation Interior fitting-work at main lobbies	18.7
The Incorporated Owners of Greenwood Terrace	Stub	Mixed	Building alteration and addition works Pool deck, pool surfaces and podium concrete repair works Renovation works of pool deck and pool services — new waterproof rendering and re-surfacing works Renovation works of podium, tennis courts and open space	27.2
Customer E	Stub	Mixed	Building and structural alteration and addition works (stone and metal cladding and glass wall) External wall renovation works including tiling and curtain wall frame renovation Electrical and mechanical installation works Interior fitting-out works of toilet Carpark renovation works	468.8
Customer F	Stub	Renovation and maintenance works	Concrete repair works Retiling works at external wall Electrical and mechanical installation works Plumbing and drainage installation works Fire services improvement works Waterproofing works Carpark renovation works	32.4
Customer G	Stub	Renovation and maintenance works	Concrete repair works Retiling works at external wall Carpark renovation works Renovation works at swimming pool, changing room and driver room	8.2
		Alteration and addition works and fitting-out works	Refurbishment works at G/F lobby and typical floor lobbies	6.5

*Note:* “FY2015” denotes the financial year ended 31 March 2015, “FY2016” denotes the financial year ended 31 March 2016 and “stub” denotes the five months ended 31 August 2016.

## BUSINESS

None of our Directors, their respective close associates, or any Shareholders who or which, own more than 5% of the issued share capital of our Group as at the Latest Practicable Date, had any interest in any of the five largest customers of our Group during the Track Record Period. All of our five largest customers are Independent Third Parties. During the Track Record Period, our Group did not experience any major disruption in business due to material delays or defaulting payments by our customers by reason of their financial difficulties. Our Directors further confirm that they are not aware of any of our major customers having experienced any material financial difficulties that may materially affect our Group's businesses.

### **Key contract terms with our customers**

During the Track Record Period, we entered into legally binding service contracts (including letters of awards) with individual customers on project-by-project basis upon the customers awarding the tender to us. Our customers do not enter into long-term agreements with us. Set out below is a summary of typical key terms of our service contracts with customers and the scenario which may happen when we are carrying out the contracts:

Scope of services and resources allocation	Our service contracts with customers set out the scope of services based on our customer's specifications and requirements. During the Track Record Period, none of our service contracts with customers contained an exclusivity clause which restricted or limited our ability to provide services to other customers. In addition, the service contracts may also specify the expected projects management structure, contractual specifications on quality, occupational safety, health and environmental management and other technical specifications in connection with the project.
Contract price	During the Track Record Period, all of our contracts are lump sum fixed price contracts with limited price adjustment mechanism. Some of the items therein such as spalling concrete repair will be agreed in advance a provisional or re-measurement basis where a unit price is fixed with the final contract sum calculated with reference to the actual quantity of works done. We undertake to carry out a defined scope of works in return for an agreed contract price. The contract price may be adjusted due to any variation orders to the defined scope of works following the mechanism specified in the relevant contract.
Duration of projects	Generally, both the expected commencement date and expected completion date are stipulated in the service contracts between our Group and our customers. However, in some circumstances the actual or final completion date may be beyond the scheduled completion date due to various reasons, mainly including unanticipated conditions of the construction sites, adverse weather and variations of works ordered by customers.

## BUSINESS

In light of the above, there is an “extension of time” provision in the service contracts, which stipulates a mechanism for us to apply for an extension in respect of the completion date so that we would not have to pay any liquidated damages for the delay of completion where the cause is beyond our control, such as inclement weather. Depending on the scope of works to be provided, the contract period normally ranged from six months to two years. For the 27 projects our Group completed during the Track Record Period and up to the Latest Practicable Date, the average duration is approximately 290 days.

### Insurance

Generally, when we are engaged by our customer as the main contractor in a project, we are required to take out and maintain for both the employees’ compensation under the Employees’ Compensation Ordinance and contractors’ all risks insurance for the entire project. Professional indemnity insurance is sometimes required in a number of projects where contractor’s design is involved. These insurance policies will cover all works performed and labour employed by us and our subcontractors.

### Surety bonds

As a security for our due performance under the relevant service contract, our customers generally require our Group to provide surety bonds, which are tripartite agreements among a third party (usually a bank or an insurance company), the customer(s) and us, pursuant to which the bank or insurance company promises to pay a sum of money to the customer(s) in the event of our non-performance of the contract. The principal amount of the surety bond required by our customers usually represents 10% of the total contract sum together with the collaterals specified in the bond quotation and is normally released upon practical completion of the project.

In general, there are two types of surety bonds, namely, performance bonds and demand bonds. Under a performance bond, if our Group fails to perform the service contracts in the manner set out in the contracts, our customers are entitled to seek compensation from the banks or insurance companies for the financial losses incurred by them. Whereas under a demand bond if it is our customers’ view that our performance of the contracts is not satisfactory, our customers are entitled to ask the banks or insurance companies to pay to them compensation for financial losses incurred by our customers.

## BUSINESS

For surety bonds given by bank, we are generally required to deposit a sum equal to the amount guaranteed under the relevant surety bond with the bank and the bank may seek reimbursement of any compensation paid to our customer out of the sum deposited. For surety bond given by insurance company, a lesser sum is required to be deposited with the insurance company but we are generally required to pay a higher premium and/or arrangement fee to the insurance company than to the bank for the issue of the surety bond. If we fail to provide satisfactory performance to our customers to whom the surety bonds have been given or failed to observe the terms, conditions and specifications under the service contract with a customer, this customer is entitled to seek compensation from the bank or insurance company who has issued the surety bond for financial losses incurred not exceeding the bond amount, and, depending on the terms of the surety bonds and the amount of premium payable by our Group to the relevant bank or insurance company for issue of such bonds, our Group may be required to reimburse the bank or insurance company for any shortfall of the claim paid.

As at 31 March 2015, 31 March 2016 and 31 August 2016, the outstanding principal amount of surety bonds amounted to approximately HK\$19.0 million, HK\$31.5 million and HK\$78.3 million respectively. During the Track Record Period and up to the Latest Practicable Date, none of our customers had enforced the surety bonds and/or ask the banks or insurance companies to pay to them any compensation.

### Payment terms

Save for the contracts related to carrying out minor repair or alteration works for a short period of time which provide that we would be paid by installment or in one-go, we are usually entitled to submit interim payment applications to our customers, usually on a monthly basis, taking into account the amount of works completed in the preceding month. The contract also stipulates the party representing the customer, such as the customer's designated surveyor, architect or project manager, to certify the value of the amount of works completed. After the relevant party has certified the value of works completed, our customers usually arrange a settlement of the payment by cheque, based on the certified amount less any retention money.

During the Track Record Period, the credit terms in relation to the settlement of amounts due from our customers for the works completed by us vary from contract to contract. In general, the credit term is typically ranging from 7 to 45 days from the invoice date.

## BUSINESS

### Retention money

It is a common practice in the industry that customers hold up a portion of progress payments as retention money in order to secure the due performance of all our obligations under the contract. Subject to negotiation between the parties, the retention money usually represents 10% of the value of works certified in each payment, subject to a maximum retention of 5% of the total original contract value. Part of the retention money is usually released to us upon practical completion of the works and the remaining portion is released to us 12 months after the practical completion of the works (i.e. the expiration of the defects liability period and the defects, if any, having been rectified). As at 31 March 2015, 31 March 2016 and 31 August 2016, the amounts of retention money receivable were approximately HK\$37.9 million, HK\$33.1 million and HK\$35.5 million respectively.

Our Directors confirm that there was no material claim against us in relation to work defects or substandard workmanship which had been brought against our Group by our customers and resulted in the forfeiture of all or part of the retention money during the Track Record Period up to the Latest Practicable Date.

### Variation orders

Our customers are entitled to require us to carry out variation works, which may involve alterations or modifications to the design, quality or quantity of the works as described in the contract. A term setting out the mechanism for reaching a variation order between our customers and us is stipulated in the contract. This term also specifies the names and particulars of our customer's representatives in issuing variation orders to us, which entitles us to receive payments on our works performed under the variation orders. The general principle for the assessment is that any additional work carried out which is the same as or similar in character to and executed under the same or similar condition or circumstances to any item of work priced in the original contract shall be valued at the schedule of rates set out in the original contract for such item of work. If there are no such equivalent or similar terms or rates under the contract for reference, our Group will negotiate with the customer regarding the adjustment in contract price based on reasonable cost and profit. In the event that the parties fail to agree on the price at which the variation works are performed, our customer will fix the price which is, in their opinion, reasonable.

## BUSINESS

### Liquidated damages

A service contract may contain clauses on liquidated damages to protect our customers against any significant delay in completion of works contracted to us. Such liquidated damages are determined on a daily basis with reference to the rates prescribed in the contract, whichever is applicable. However, under certain circumstances such as poor weather conditions or issue of variation orders, our customers may grant us an extension of time so that we would not need to pay liquidated damages to our customers.

During the Track Record Period and up to the Latest Practicable Date, no liquidated damages had been claimed by our customers against us by reason of late completion for any of the contracts undertaken by us. Our Directors do not expect any material delay in the time of completion of projects in progress as at the Latest Practicable Date which is likely to cause liquidated damages to be imposed on our Group. In any event, our subcontractors are required to indemnify us for any loss incurred by our Group as a result of delay in completion of projects caused by our subcontractors.

### Defect liability period

To ensure that we are able to perform the works to the satisfaction of our customers, our customers generally require a 12-month defect liability period in the contract. When there are any defects identified during such period, we are responsible for rectifying the works defects caused by either defective materials or any substandard workmanship without charges to our customers. We require a back-to-back defect liability from our subcontractors. For details, please see the paragraphs headed “Suppliers — Subcontracting arrangements — Major terms with subcontractors” in this section.

Our Directors confirm that there was no material claim against us in relation to work defects or substandard workmanship brought against our Group by our customers during the Track Record Period up to the Latest Practicable Date.

### Termination

Generally, our customers are entitled to terminate their respective contract with us if we have defaulted by, inter alia:

- completely or substantially suspending the carrying out of the works without good cause;
- not carrying out the works regularly and diligently;
- failure to remedy a specified default under the contract within a specified period of time;

## BUSINESS

- not complying with the customer's proper instructions or substantially or persistently fail to comply with the standard of services required by our customers which resulted in the contract being materially affected;
- going into liquidation or entering into any scheme of arrangement with any of our creditors.

On the other hand, as a contractor, we are entitled to terminate the contract if the customer defaults by, inter alia:

- not paying any amounts due to us within the period in accordance with the contract;
- interfering with or delaying the issue of payment certificates to our detriment;
- postponing the commencement or suspending the works for a prolonged period; or
- by having been adjudged bankrupt or going into liquidation or a petition for winding up having been filed against it or making a general assignment, composition or arrangement for the benefits of its creditors

### Subcontracting

We are generally allowed to engage subcontractors to carry out certain parts of the works under the contracts. Depending on the requirements of our customers, our customers may select and name certain subcontractors as nominated subcontractors in the contract documents, which our Group is obliged to subcontract these nominated subcontractors for specified subcontract works unless we have reasonable grounds to object. During the Track Record Period, our nominated subcontractors were mainly building services contractors.

## SALES AND MARKETING

During the Track Record Period, our business opportunities mainly arose from three sources: (i) the tender announcements published in local newspapers; (ii) tender invitations from some private customers; and (iii) requests of quotations from some private customers. As such, we do not rely on promotional activities. Our Directors believe that our reputation in the RMAA and fitting-out industry, proven track record and well-established relationship with our existing customers enable us to capture business opportunities through the abovementioned sources. Our Directors are responsible for liaising and maintaining our relationship with customers. For the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, our sales and marketing expenses amounted to approximately HK\$0.7 million, HK\$1.5 million and HK\$0.5 million, which mainly included costs incurred to maintain relationship with our Group's existing and potential customers and suppliers.

## **PRICING STRATEGY**

Our pricing is determined based on a cost-plus pricing model in general with the markup which is determined on a project-by-project basis. We estimate our cost of undertaking a project with reference to the following factors:

- the nature, scope and complexity of the works involved;
- the availability of our manpower and resources (including financial resources);
- the subcontracting charges involved in the project; and
- the expected project timetable completion time requested by the customer.

Revisions to the cost plan may be made after identifying the cause of the changes in the estimated costs and establishing measures to keep the estimated costs in control such as requesting for additional fees from customers and closely supervising our subcontractors' performance and progress of work to keep up with the project schedule. It is important for us to accurately assess the cost taking into account the factors set out above for the project prior to entering into service contracts with our customers to avoid over or under-budgeted and ensure that adequate profit from the relevant profit can be generated. We have in place a series of cost assessment procedures in order to have an accurate assessment and analysis of the costs to be incurred by our Group as the main contractor in the project. Under such procedures, we will liaise with our suppliers (which are mainly subcontractors) in order to obtain a pre-bid quotations from them for preparation of the tender submission, including the schedule of rates therein. This pre-bid quotations enable our Group to have a more accurate estimation for the project cost to be involved. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any loss-making projects as a result of material inaccurate estimation or cost overruns.

## **SUPPLIERS**

During the Track Record Period, suppliers of goods and services to our Group mainly included: (i) our subcontractors, (ii) suppliers of construction materials such as concrete, tiles and paints; and (iii) suppliers for other services such as insurance.

Unless our customers nominate specified suppliers or nominate a particular subcontractor in the service contract, we usually select suppliers from our approved list of suppliers and subcontractors based on their respective track records, quality of their materials or services and the prices quoted by the suppliers or subcontractors from time to time. We generally order the relevant construction materials and services on a project-by-project basis and therefore we would not enter into any long-term supply agreements with our suppliers. During the Track Record Period, we did not experience any significant shortage of construction materials and subcontracting services causing material disruption to our works. Our Directors believe that the supply of construction materials and subcontracting services we usually use and in our projects is stable and sufficient in the market.

## BUSINESS

The following set forth a breakdown of our cost of sales during the Track Record Period:

	<b>For the year ended</b>		<b>For the year ended</b>		<b>For the</b>	
	<b>31 March 2015</b>		<b>31 March 2016</b>		<b>five months ended</b>	
	<i>(HK\$</i>		<i>(HK\$</i>		<i>(HK\$</i>	
	<i>million)</i>	<i>(%)</i>	<i>million)</i>	<i>(%)</i>	<i>million)</i>	<i>(%)</i>
Subcontracting charges	121.9	83.5	210.0	84.2	72.7	88.0
Construction material costs	9.1	6.2	21.7	8.7	4.9	5.9
Other expenses	15.0	10.3	17.7	7.1	5.0	6.1
<b>Total</b>	<b>146.0</b>	<b>100.0</b>	<b>249.4</b>	<b>100.0</b>	<b>82.6</b>	<b>100.0</b>

We normally either require our subcontractors under the subcontracting agreements (i) to procure construction materials in accordance to the contract specification with our prior approval; or (ii) to use the construction materials provided by us to complete the works. In general, we will require our subcontractors to procure construction materials for the subcontracted works. However, upon request of our subcontractors and based upon our Directors' evaluation, when it is generally easier to bargain for a lower purchase price, which would lead to lower overall project costs, we may procure the construction materials on behalf of our subcontractors. As a result, during the Track Record Period, a relatively large portion of our costs of sales was our subcontracting charges while only a relatively small portion was our construction materials cost.

Please refer to the paragraphs headed "Financial Information — Description of selected items from combined statements of comprehensive income — Cost of sales" in this prospectus for the detailed breakdown of the above table as well as the sensitivity analyses in subcontracting charges.

### **Selection of suppliers**

Subcontracting charges and construction material costs contributes to a significant portion of our cost of sales. As such, our Group keeps a list of approved suppliers, including approved subcontractors and approved construction material suppliers, which is updated on an ongoing basis. Generally, subject to our customers' requirements, we only select suppliers from this list of approved suppliers for our projects. As at the Latest Practicable Date, there were over 200 suppliers on our approved list of suppliers.

With regards to our subcontractors, for certain projects, our customers may nominate subcontractors to fulfill certain parts of the work under the contracts. Where a subcontractor is nominated by our customers, our Group generally retains the right to make reasonable objections and is not required to enter into a subcontract with the proposed nominated subcontractor on grounds such as:

- (i) the proposed nominated subcontractors having poor safety record;
- (ii) the lack of financial standing, solvency, technical competence or reliability of the nominated subcontractor(s) to carry out the works to be delegated to it;
- (iii) lack of financial feasibility to engage such proposed nominated subcontractor taking into account the relevant contract sum; and

## BUSINESS

- (iv) the fact that the programme for carrying out the subcontracted works by the proposed nominated subcontractor is unreasonable with reference to our master programme and schedule.

In the event that we accept the nominated subcontractors, such nominated subcontractors will also be subject to the same quality and safety measures we impose on other subcontractors, the details of which are expressed in the below paragraphs. In the event that the nominated subcontractor caused delay to or disruption in the carrying out of the works, our Group is entitled to seek an extension of time from the relevant customer without subjecting to any liquidated damages or penalty for delay.

### **Our five largest suppliers during the Track Record Period**

For the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, the percentage of our cost of sales incurred by our largest supplier amounted to approximately 14.6%, 26.6% and 32.7% of our cost of sales, respectively, while the aggregate percentage of our cost of sales incurred by our five largest suppliers amounted to approximately 43.8%, 59.4% and 63.1% of our costs of sale, respectively.

The following tables set forth the profiles of our five largest suppliers during the Track Record Period:

For the year ended 31 March 2015:

Name of supplier	Cost of sales incurred by the supplier <i>(approximately HK\$ million)</i>	Approximate percentage to the total cost of sales incurred in that year <i>(%)</i>	Type of services provided by the supplier	The calendar year in which the supplier first started to have business relationship with our Group
Supplier A	21.3	14.6	Subcontracted builder's work	2014
Keio Engineering Company Limited <i>(Note)</i>	12.3	8.4	Subcontracted combined building services installation	2015
Shing Kin Construction Company Limited	11.1	7.6	Subcontracted builder's work	2012
Firetech Services Limited	10.8	7.4	Subcontracted fire service system installation	2014
Supplier B	8.4	5.8	Subcontracted electrical and mechanical installation	2012

*Note:* Keio Engineering Company Limited is the supplier nominated by the customer in a project for a charitable development in Sha Tin Racecourse for provision of combined building services installation.

## BUSINESS

For the year ended 31 March 2016:

Name of supplier	Cost of sales incurred by the supplier <i>(approximately HK\$ million)</i>	Approximate percentage to the total cost of sales incurred in that year <i>(%)</i>	Type of services provided by the supplier	The calendar year in which the supplier first started to have business relationship with our Group
Keio Engineering Company Limited <i>(Note)</i>	66.3	26.6	Subcontracted combined building services installation	2015
Supplier A	48.5	19.4	Subcontracted builder's work	2014
Shing Kin Construction Company Limited	15.3	6.1	Subcontracted builder's work	2012
Kin Bo Construction Company	9.3	3.7	Subcontracted builder's work	2012
Supplier C	9.1	3.6	Subcontracted fitting-out works	2013

*Note:* Keio Engineering Company Limited is the supplier nominated by the customer in a project for a charitable development in Sha Tin Racecourse for provision of combined building services installation.

## BUSINESS

For the five months ended 31 August 2016:

Name of supplier	Cost of sales incurred by the supplier <i>(approximately HK\$ million)</i>	Approximate percentage to the total cost of sales incurred in that year <i>(%)</i>	Type of services provided by the supplier	The calendar year in which the supplier first started to have business relationship with our Group
Supplier A	27.0	32.7	Subcontracted builder's work	2014
Shing Kin Construction Company Limited	10.7	13.0	Subcontracted builder's work	2012
Kin Bo Construction Company	6.5	7.9	Subcontracted builder's work	2012
Keio Engineering Company Limited <i>(Note)</i>	4.4	5.3	Subcontracted combined building services installation	2015
Kings View Contracting and Technical Services Limited	3.5	4.2	Subcontracted mechanical ventilation and air conditioning installation	2016

*Note:* Keio Engineering Company Limited is the supplier nominated by the customer in a project for a charitable development in Sha Tin Racecourse for provision of combined building services installation.

None of our Directors, their respective close associates or any Shareholders (who or which, to the best knowledge of our Directors, own more than 5% of the issued share capital of our Group as at the Latest Practicable Date) had any interest in any of our five largest suppliers during the Track Record Period. All of these five largest subcontractors are Independent Third Parties.

### ***Subcontracting arrangements***

For all projects undertaken by us during the Track Record Period, our Group acted as the main contractor and was accountable to our customers for the execution and overall management of the projects. For the purpose of maximising our cost efficiency and utilising expertise of other specialist contractors, we engage subcontractors to perform the relevant works. During the Track Record Period, the works that we delegated to our subcontractors included combined building services installation, fire service system installation, electrical and mechanical installation, electrical works, builder's works, fitting-out works, mechanical ventilation and air-conditioning installation etc. Our subcontractors work under the close supervision and management of our project team and are required to observe all requirements of our main contracts.

## BUSINESS

Our major subcontractors include subsidiaries of listed companies, private companies and sole proprietors which have the relevant qualification, expertise, skills and manpower available to carry out works subcontracted to them. During the Track Record Period, we did not experience any material shortage or delay in the supply of materials or services that we required from our subcontractors. Depending on the contracts with our subcontractors, we may need to purchase construction materials for our subcontractors. Our Directors consider that the possibility of material shortage or delay is low given the availability of subcontractors available in the market.

Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, our Group did not receive any material claim or complaint from our customers in relation to the works performed by our subcontractors.

### **Major terms with subcontractors**

The terms of our subcontracting agreements with subcontractors vary in correspondence to the requirements and terms of the contract between our customers and us, in order to ensure that our subcontractors comply with the relevant terms and perform their works in accordance with the specifications under the main contracts. A typical subcontracting agreement we enter into with our subcontractors usually contain the following major terms:

Scope of work	<p>The scope of works and the subcontracting rates or price, which are inclusive of the costs of construction materials, labour costs, plant and equipment costs and miscellaneous expenses to be incurred by the subcontractor.</p> <p>The scope of works to be subcontracted by our Group can be classified into (i) works involving labour only; and (ii) works involving labour and materials. For agreements specifying labour force only, the subcontractors are only required to provide the requisite labour force and our Group will provide the materials to the subcontractors to enable them to carry out the works delegated. For agreements specifying labour force and materials, our subcontractors will equip themselves with all the necessary materials.</p>
Rights and obligations	<p>Rights and obligations of the parties such as the subcontractor's obligations to observe the terms in the main contract and procure construction materials. The main contractor in a particular project is normally responsible for effecting employees' compensation and contractors' all risks insurance. The types of insurances that are usually maintained by us as the main contractor would therefore include insurances against injury to persons or damages to property and the employees' compensation insurances.</p>

## BUSINESS

Termination	<p>Our right to terminate the subcontracting agreement upon occurrence of any of the following events:</p> <ul style="list-style-type: none"><li>(i) the subcontractor having defaulted by suspending the carrying out of the works completely or substantially without good cause;</li><li>(ii) the subcontractor having defaulted by not carrying out the works regularly and diligently;</li><li>(iii) the subcontractor having refused to implement and comply with the management, safety audit and safety assessment systems devised by the main contractor;</li><li>(iv) the subcontractor's failure to have the necessary financial, technical, personnel or management capacity to complete the works;</li><li>(v) the progress of the works delegated to the subcontractor remains unsatisfactory even after receiving verbal or written warnings from our project manager;</li><li>(vi) the subcontractor having refused to demolish, clear or re-conduct works that are not in compliance with the requirements of the contract until certification by the architect engaged in the project and our Group; and/or</li><li>(vii) the subcontractor is liquidated or declares bankruptcy.</li></ul>
Labour and materials to be provided by the subcontractor	<p>The requirements that the subcontractor must:</p> <ul style="list-style-type: none"><li>(i) provide qualified workers and competent persons to carry out works specified in the subcontracting agreements; and</li><li>(ii) new materials that comply with the specifications of the project if the subcontractor is to provide both labour and materials.</li></ul>
Liquidated damages	<p>Liquidated damages which are payable by the subcontractor to us if the subcontractor fails to complete the works on or before the specified completion date.</p>
Payment	<p>Our subcontractors normally submit a payment application to us on a monthly basis with respect to the works done by them in that month with a credit period of 0 to 30 days granted by our subcontractors from the payment application. We settle the payment in Hong Kong dollars by way of cheque.</p>

## BUSINESS

Retention money	We may retain, on average, a maximum of 5% of the total contract sum as retention money. Generally, half of the retention money will be released to the subcontractors upon completion of the subcontract works and the remaining half will be released to subcontractors upon expiry of the defect liability period, which is mirrored by the relevant term in the main contract.
Compliance	Where the subcontractor is obliged to comply with all the relevant rules and regulations in connection with the works and the subcontractor's responsibilities and policies relating to quality control, work safety and environmental protection.
Undertakings	Undertakings by the subcontractor to indemnify our Group against: <ul style="list-style-type: none"><li>(i) any liabilities to other persons for causing any bodily injury, damage to property or other loss which may arise out of the subcontractors fault or negligence and which the insurance policy does not cover; and</li><li>(ii) any claim, damage, loss or expense due to or resulting from any negligence or breach of any duty or relevant regulations, rules and bye-laws on the part of the subcontractor, its employees or agents.</li></ul>
Defect liability	We generally require a defect liability period of 12 months for both (i) renovation and maintenance works and (ii) alteration and addition works and fitting-out works from our subcontractors, during which our subcontractors are responsible to rectify all works defects identified by us or our customers.
Warranty	Since we may provide product warranties to some of our customers, depending on the nature of the projects and under the terms of our service agreements, we may require our subcontractors to provide back-to-back warranties under the subcontracting agreements. For further details of warranties, please refer to the paragraphs headed "Warranties" in this section.

### **Secondary liability arising from our subcontractors and control measures**

In general, we are liable to our customers for the performance of our subcontractors under the main contract we entered into with our customers. These include the acts, defaults or negligence of the subcontractors and their employees.

To protect our position, it is provided in the subcontracting agreements that subcontractors have acknowledged that they have reviewed the main contracts and have accepted all the provisions of the main contracts to the extent that they are relevant to the subcontract works. Furthermore, we specify the quality assurance requirements in the subcontracting agreements and we can impose enforcement actions

## BUSINESS

against the subcontractors for the losses and damages suffered by us as a result of their acts, omissions or non-conformances with any quality assurance requirements under the subcontracts. Such enforcement actions may include verbal or written warnings to the subcontractors, requesting the subcontractors to reimburse us with the costs and expenses for any preventive or remedial actions deemed necessary by us as a result of their actions, omissions or non-conformances, and charging the subcontractors with a fixed sum of contribution to the administration of the quality assurance system of the subcontractors or their employees.

To further safeguard us from any possible liabilities arising from health and safety issues, we generally require our subcontractors, in carrying out the subcontracted works, to comply with all requirements determined by us relating to health, safety, working hours, noise, nuisance, pollution, the carrying out of construction works and the employment of workers engaged therein.

Further, our subcontractors are required to either submit a return form setting out therein the daily labour and supervisory staff in relation to the implementation of the project to us or adopt an electronic card system which records the identities and attendance of their employees. It is the subcontractors' obligation to keep on site an up-to-date and complete record of each of their employees full name as shown on his or her identity card and to produce the list for inspection on demand by us. It is also the subcontractors' obligation to observe and comply with the requirements in all enactments, ordinances and regulations in relation to the employment of qualified personnel, including but not limited to competent persons and certified workers in the execution of the subcontract works. Our subcontractors are required to provide us with all the relevant certificates of their employees for inspection before commencing the works. During the Track Record Period, no illegal workers were reported on any of our construction sites.

### ***Construction materials procurement arrangements***

We normally either require our subcontractors under the subcontracting agreements (i) to procure construction materials in accordance to the contract specification with our prior approval; or (ii) to use the construction materials provided by us to complete the works. During the Track Record Period, our Group mainly procured construction materials such as concrete, tiles and paints from our suppliers.

Generally, we submit a schedule of materials required for the works in a project to our customers for their approval before we place any purchase orders. Our project team then decides on the quantity to be ordered and the delivery schedule, based on the site's progress and project requirements. Materials procured by us are usually delivered by the suppliers to the construction site directly. Owing to the limited space of the construction site, our project team usually plans the delivery schedule within a short time beforehand to avoid excess inventory.

### **Payment terms**

Our major construction material suppliers normally issue an invoice to us after the construction materials have been delivered to the site of the project and we have inspected the quality of the materials with credit periods granted by our suppliers range from 0 to 30 days from the invoice date, depending on a number of factors including the type of materials purchased, the transaction value and our relationship with individual suppliers.

## BUSINESS

### **Inventory**

We did not record any inventory at the end of each financial year during the Track Record Period because (i) construction materials were usually delivered directly to the site of the project for immediate consumption; (ii) construction materials were acquired on a project-by-project basis in accordance with the specification of a project; and (iii) most of the construction materials were procured by our subcontractors. We assess the amount and timing of construction materials required in individual projects and procure the relevant amount when needed, depending on the work progress, therefore we do not keep excess inventory nor maintain a minimum inventory level.

### **WARRANTIES**

Depending on the nature of the projects, under the terms of our service agreements with some of our customers, we may usually provide (i) product warranties in relation to structural maintenance limited to one year; (ii) product warranties in relation to painting limited to five to seven years; (iii) product warranties in relation to roofing works limited to ten years; and (iv) product warranties in relation to anti-seeping and anti-leaking limited to ten years. Our construction material suppliers and/or subcontractors provide back-to-back warranties for their construction materials or services provided. We do not accrue any provisions for the estimated warranting costs, as the historical number of claims under our warranties has been minimal. During the Track Record Period, we did not experience any issues relating to warranties or product liabilities claims which had a material adverse impact on us.

### **QUALITY ASSURANCE**

Each of our projects has a project manager who is responsible for the project's overall quality assurance.

Personnel responsible for our Group's overall quality assurance include our Directors and our project managers. Please refer to paragraphs headed "Directors, senior management and our employees — Directors" and "Directors, senior management and our employees — Senior management" in this prospectus for further details on their biographical information.

For our quality control measure over our suppliers, including our subcontractors, please refer to the paragraphs headed "Suppliers — Selection of suppliers" in this section for further details.

During the Track Record Period and up to the Latest Practicable Date, our Group had not received any material complaint or request for any kind of material compensation from our customers due to quality issue of our performance and our subcontractors' performance.

## **INSURANCE**

During the Track Record Period, we maintained the insurance policies set out in the following paragraphs.

### **Employees' compensation**

It is a common term in most construction contracts between main contractors and customers, that the main contractor of a project shall take out and maintain employees' compensation insurance under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and contractors' all risks insurance for the entire project. The coverage of such insurance policies includes all works performed by the main contractor and all its subcontractors. Pursuant to section 40 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), all employers are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and common law for injuries at work in respect of all their employees (including full-time and part-time employees). We have taken out insurance policies in accordance with such requirements.

According to section 24 of the Employees' Compensation Ordinance, we are liable to pay compensation to any injured employee of our subcontractors, who is injured in the course of his/her employment to our subcontractors when carrying out the subcontract works for us. Such liabilities are covered by the above-mentioned insurance policies taken out by us. In addition, under section 24 of the Employees' Compensation Ordinance, we are, nonetheless, entitled to be indemnified by the subcontractor who, as the actual employer of the injured employee, would have been liable to pay compensation to the injured employee.

### **Contractors' all risks insurance**

Contractors' all risks insurance policies generally cover potential loss, damage or destruction to the buildings, structures and any other constructions under our construction works as well as potential bodily injury to third parties or damage to third parties' properties as a result of our performance of the construction works. Our Directors confirm that there is no statutory requirement on the minimum insurance coverage for contractors' all risks insurance. The amount of contractors' all risks insurance to take out is usually specified in the contracts with our customers.

### **Professional Indemnity Insurance**

We have taken out professional indemnity insurance to cover our potential liability arising from possible claims against us under our projects in which we provide design services. Such design services are for ancillary structures such as guard house, window cladding, metal gates and planters in the course of our renovation works that require submission to Buildings Department for approval. Our Directors confirm that there is no statutory requirement on taking out professional indemnity insurance. Sometimes we are required by some of our customers under contracts to secure certain minimum coverage of professional indemnity insurance.

## **BUSINESS**

### **Other insurance coverage maintained by our Group**

We have maintained the insurance coverage against general office risks including, among others, loss or damage to our office contents due to fire, lightning and explosions, loss of money kept in our Group's premises and any bodily injury suffered by our employees or third parties occurring in our office premises; and third party liability in relation to the use of our vehicles.

Certain types of risks, such as the risk in relation to the collectability of our trade and retention money receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally excluded by insurance policies. Please refer to the paragraphs headed "Risk factors — Risks relating to our business — Our Group's operation may be affected by inclement weather conditions and is subject to other construction risks" in this prospectus for details.

For the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, our total insurance expenses amounted to approximately HK\$2.7 million, HK\$5.5 million and HK\$1.0 million respectively. Our Directors consider that our insurance coverage is adequate and consistent with the industry norm regarding our current scope of operations. During the Track Record and up to the Latest Practicable Date, we had not made, or been the subject of, any material insurance claim.

### **RESEARCH AND DEVELOPMENT**

During the Track Record Period and as at the Latest Practicable Date, we had not engaged in any research and development activity.

### **OCCUPATIONAL HEALTH AND SAFETY**

#### **Material accident before the Track Record Period**

In July 2011, there was a fatal accident at a construction site whereby an employee of one of our subcontractors fell down from a pergolas at a height of not less than two metres. The said accident resulted in criminal convictions brought against us and the relevant subcontractor. Our Directors confirm that the relevant fines had been fully settled prior to the commencement of the Track Record Period. After the accident, a family member of the said employee brought an employees' compensation claim against us and our subcontractor. The claims of the said family member was settled prior to the commencement of the Track Record Period.

Save as disclosed above, our Directors confirm that 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. Further, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date our Group did not suffer from any removal, suspension, downgrading or demotion of our licences or permits due to accidents or breaches of workplace safety regulations.

After the above-mentioned accident, our management acknowledged our inadequacy in safety precaution and need for improvement to maintain a safe place or system of work in order to prevent similar accidents in the future. Under such circumstances, our management has strived to strength our safety management system and avoid reoccurrence of similar accidents in the future by tightening our safety measures as described in the following paragraphs.

**Enhanced safety measures adopted by our Group**

Taking into account the nature of our work which is mainly labour intensive and has to be carried out outdoor and at height, our Group adopted the following enhanced safety measures to prevent future accidents and protect the employees of our Group and subcontractors:

- (i) employing two in-house registered safety officers under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations to oversee our safety management and strengthen safety supervision and on-site trainings;
- (ii) establishing the induction scheme where new construction workers have an induction safety training upon arrival on site on the respective construction site to equip them with the adequate knowledge with regards to their safety and work and/ or relevant risk and hazard on work site;
- (iii) providing sponsorship for our employees to attend seminars and training sessions with respect to safety and skills development;
- (iv) arranging task related tool-box talks with construction workers on a bi-weekly basis or more frequent as agreed on site to ensure that workers carry out their task as safe as possible;
- (v) setting up a site safety management committee, with the function of identifying, recommending and keeping under review, measures to improve the safety and health of the workers;
- (vi) conducting on site safety inspection by our project manager or project coordinator with a safety officer to see that all relevant health and safety legislation and safe working practice are observed on site as appropriate; and
- (vii) implementing a process control programme to promote workers' safety awareness in electrical equipment and installations, welding/cutting operations, working at height, manual handling and lifting operations.

**Our current safety management system**

We are committed to providing our employees and the employees of our subcontractors with a safe and healthy working environment. We have established a safety and health management and audit system in accordance with the requirements of OHSAS 18001:2007 where Fulam Construction was granted the OHSAS 18001:2007 certification in 2011.

As we primarily rely on subcontractors to undertake contracting work for our projects, we adopt a holistic approach to ensure our subcontractors follow safety measures. This is because we believe it is important to reward good behavior whilst at the same time discourage any breach or non-compliances of our safety rules and measures. Currently, we offer, on a regular basis, token rewards such as cash to workers of subcontractors who observe our safety rules and measures at sites whilst at the same time impose financial penalties on those subcontractors that we found had flouted our safety rules and measures. In addition, we would review the safety record of our sub-contractors before we engage them

## BUSINESS

to work on our projects. For those subcontractors having a poor safety record, we will take them off our list of sub-contractors. We believe our approach will further reduce accidents and safety related non-compliances in our sites.

In practice, we document our safety plan in writing, which is conveyed to our employees and those of our subcontractors before commencement of works in any project. We also give instructions and provide trainings to our own employees and those of our subcontractors and other staff members working at the construction sites and demonstrations of safety measures from time to time. As at the Latest Practicable Date, we had two in-house registered safety officers approved by the Labour Department in Hong Kong to monitor and implement our safety plan.

During the Track Record Period and up to the Latest Practicable Date, our work safety measures adopted and used to prevent industrial accidents are set out below. Going forward, we will continue to allocate adequate resources and efforts to uphold and improve our safety management in order to reduce the inherent risks related to safety issues.

<b>Categories</b>	<b>Safety measures and requirements undertaken</b>
Safety training	Our Group ensures that adequate safety training is provided for all levels of personnel. As such, we have an all-rounded training plan for managers, supervisors and all personnel working on sites. For example, all site personnel are required to join the basic general safety training where they will familiarise themselves with the overall safety responsibility and possible hazards during their work activities. The basic general induction safety training are provided to all newly recruited site workers upon arrival on site.
Safety and health inspection	<p>Our Group has established and maintained documented procedures for safety inspections to identify and correct any unsafe conditions and behaviours. For example, our safety supervisors conduct safety inspection on a daily basis and our safety officers conduct safety inspections on a monthly basis, at least. All findings are recorded in the specified forms accordingly. Any items that require rectification and improvement would be followed up by our project manager or project coordinator.</p> <p>Further to our regular site inspection, an internal safety audit will be carried out once every six months to provide an in-depth examination of the operation activities of the project.</p>
Job hazard analysis	The aim of job hazard analysis is to identify the relative importance of job hazards and to obtain information about their extent and nature, which shall assist in deciding on methods of control. Our safety officers carry out risk assessments for the prevailing work activities. The job hazard analysis incorporates considerations of legislations, codes of practice, personal knowledge of employees and subcontractors and accident record within our Group to seek and identify the risk.

## BUSINESS

### Categories

### Safety measures and requirements undertaken

Risk control measures for the risks identified are used to develop specific safety rules and method statements which shall be posted at the workplace for the attention of all personnel concerned. Our project manager/site manager, general foreman and foreman are responsible for checking the implementation of the risk control measures.

#### Personal protection equipment

To ensure that our protective equipment and devices such as helmets and eye-masks are properly used by our site personnel, our site safety supervisors carry out monthly inspections of the items of protective equipment to check that they are properly maintained. Safety warning notices are issued to the parties concerned for any irregularities found on site.

Furthermore, our Group would request suppliers to certify that their personal protection equipment conforms to the relevant safety standards or are the approved type under relevant statutory requirements.

#### Evaluation, selection and control of our subcontractors

Only subcontractors who are on our approved list of subcontractors are allowed to provide services to our Group. In the selection of subcontractors, our project manager or project coordinator evaluates the suitability of subcontractors according to their ability to meet our safety system and requirements, documented safety system, reputation and recommendation from architect etc, and past job references and records.

Prior to the engagement of subcontractors, our project manager or project coordinator would prepare a detailed specification to address the services and other requirements as our Group sees necessary. Our Group may also organise a pre-award meeting with the subcontractors.

Prior to the commencement of our works, our Group would hold a meeting with the individual subcontractor to review all safety aspects of the works. Our Group would also organise regular safety meetings with the subcontractors to review their safety performance and discuss safety matters. Our project manager or project coordinator will evaluate the performance of our subcontractors at the end of the project.

During the Track Record Period, we engaged independent external registered safety auditor to perform an external safety audit on our safety management system in Hong Kong generally every six months and prepared a safety audit report. Upon completion of the audit, the report was submitted to us and the Labour Department pursuant to section 13 of the Factories and Industrial Undertakings (Safety

Management) Regulation (Chapter 59AF of the Laws of Hong Kong). The scope and objectives of the audit include (i) to ascertain the development, planning, organising, implementing and monitoring of our safety management system in accordance with the Factories and Industrial Undertaking (Safety Management) Regulations and the Code of Practice on Safety Management issued by the Labour Department; (ii) to ascertain the setting of objectives and targets for continual improvement of our safety management system in accordance with the Factories and Industrial Undertaking (Safety Management) Regulations and the Code of Practice on Safety Management issued by the Labour Department; and (iii) to assess the effectiveness, efficient and reliability of our safety management system. According to the safety audit report issued by the safety auditor based on an audit conducted in July 2016, no material deficiency in relation to workplace safety has been identified by the safety auditor and our safety management system has continually fulfilled the safety regulations under the Factories and Industrial Undertakings Ordinance in all material respects.

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

Although our Group has implemented a safety plan to mitigate safety risks, the occurrence of accidents at construction sites cannot be completely eliminated due to the work nature in the construction industry. For the year ended 31 March 2015, 31 March 2016, five months ended 31 August 2016 and the subsequent period up to the Latest Practicable Date, we recorded one, three, one and one accident(s) respectively which gave rise or may give rise to potential employees' compensation and personal injury claims.

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

Our Directors confirm that the liabilities arisen from these accidents happened during the Track Record Period and up to the Latest Practicable Date are covered by employee compensation insurance taken out for the relevant construction projects.

For further details on outstanding litigation and potential claims relating to employees' compensation claims under Employees' Compensation Ordinance or personal injury claims under common law, please refer to the paragraphs headed "Litigation and potential claims" in this section.

In the event of any industrial accidents resulting in injury to any person, we require our workers or the employees of our subcontractors to report the accident to us in a timely manner. Our project coordinator will first record and preliminarily investigate the accident on, including the date, time, location, the resulted injuries and the interviews with the witnesses (if any). Such a record will then be passed to our safety officer or our safety supervisor, our safety officer will then prepare an accident

## BUSINESS

investigation report and communicate with our insurers in relation to the cause of the accident, the compensation arrangement under agreed insurance policy for the project and the improvement plans to enhance work safety environment in the future.

### Accident rates

The table comparing the construction industry's average accident and fatality rate against our Group's on the basis of accident rate per 1,000 workers and fatality rate per 1,000 workers is set out below:

	<b>In construction industry</b> <i>(Note 1)</i>	<b>Our Group's construction sites</b> <i>(Note 2)</i>
<b>Year ended 31 December 2014/31 March 2015</b>		
accident rate per 1,000 workers	41.9	6.9
fatality rate per 1,000 workers	0.24	—
<b>Year ended 31 December 2015/31 March 2016</b>		
accident rate per 1,000 workers	39.1	14.7
fatality rate per 1,000 workers	0.2	—
<b>Five months ended 31 August 2016</b>		
accident rate per 1,000 workers	N/A <i>(Note 3)</i>	6.0
fatality rate per 1,000 workers	N/A <i>(Note 3)</i>	—

*Notes:*

- (1) The accident rates are for the two years ended 31 December 2015. Figures based on Occupational Safety and Health Statistics Bulletin No. 16 (August 2016) published by Occupational Safety and Health Branch of Labour Department, which the accident rate is calculated as the occurrence of industrial accidents during the year divided by the employment size which are based on the Quarterly Report of Employment and Vacancies Statistics published by the Census and Statistics Department.
- (2) The accident rates are for the two years ended 31 March 2016 and the five months ended 31 August 2016. Our Group's accident rate is calculated as the occurrence of industrial accidents during the year/period divided by the daily average construction site workers (including both employees of our Group and subcontractors) in our construction sites during the year/period and multiplied by 1,000.
- (3) Relevant data has not been published as at the Latest Practicable Date.

We experienced an increase in the accident rate from 6.9 for the year ended 31 March 2015 to 14.7 for the year ended 31 March 2016. Our Directors believe that it was primarily due to the following reasons:

- (i) The number of accidents for the year ended 31 March 2015 and the year ended 31 March 2016 was only one and three respectively. The percentage increase in the accident rates was therefore more noticeable even if the number of accidents in the subsequent year increases slightly by number; and

## BUSINESS

- (ii) there was an increase in the total number of construction site workers employed by our Group during the aforesaid period, which had led to an increase in number of reportable accidents.

Our Directors consider that our Group's accident rate during the Track Record Period was comparatively lower than the industry average. From 1 April 2016 to the Latest Practicable Date, we recorded two accidents which may give rise to potential employees' compensation and personal injury claims. We have taken measures to maintain and improve the safety standard and reduce the re-occurrence of accidents of our project. As such, our Directors do not foresee any substantial increase in the accident rate for the year ending 31 March 2017.

A table showing our Group's lost time injuries frequency rates ("LTIFR(s)") is set out below:

For the year ended 31 March 2015	2.4
For the year ended 31 March 2016	5.1
For the five months ended 31 August 2016	5.0

*Notes:*

- (1) LTIFR is a frequency rate that shows the amount of lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by using the total labour hours worked per year/period to divide the number of reportable cases and multiply by 1,000,000 then assuming that the working hour of each worker is 10 hours per day.
- (2) Our Directors confirm that there is no public information in relation to the average LTIFRs of the construction industry in Hong Kong.

Based on the above information, our Directors believe that the accident rates on the construction sites of our Group during the Track Record Period were lower than the industry average. Moreover, in consideration of our relatively stable accident rates during the Track Record Period and the fact that during the Track Record Period our Group recorded no fatal injuries at our construction sites, our Directors believe that our Group does not have any material safety issue. In any event, our Directors believe that our Group's effort on adopting enhanced safety measures will prevent future accidents. Our Group will continue to deploy adequate resources and make an effort to maintain and enhance our safety management policy in order to mitigate our risks related to safety issues.

## ENVIRONMENTAL COMPLIANCE

Our Group is committed to environment protection by conducting our business in an environmentally responsible manner. We aim to prevent pollution, reduce waste and enhance waste recycling from our operations through implementing an environmental management system, which would comply with ISO 14001:2004 requirements. Fulam Construction was granted the ISO 14001:2004 certification in 2006. Our ISO 14001:2004 accreditation and was renewable upon each expiry and the current one is valid till 20 June 2018.

In some of our projects, we are required to establish an environmental management system throughout the duration of the project. The system serves to provide a framework for action and for the setting of the environmental objectives and targets. The system includes, among other things, air quality control, noise control, water pollution control and conservation, site cleanliness, tidiness and hygiene

## BUSINESS

control, environmental monitoring and audit, and environmental training. We also set up a site environmental management team which consists of the project manager, environmental officer, general foreman, environmental supervisor and site manager to implement the system.

During the Track Record Period, the aggregate annual costs incurred by our Group for compliance with applicable environmental laws and regulations in Hong Kong was approximately HK\$0.2 million, HK\$0.3 million and HK\$0.2 million respectively, and was mainly attributable to the levy imposed by the Government on waste disposal required under applicable laws and regulations. During the Track Record Period, our Group was not prosecuted by nor received any warning letter from any Governmental authority for breaching any applicable environmental laws and regulations relating to environmental protection.

### MARKET AND COMPETITION

According to the F&S Report, the gross value of construction works by main contractors in Hong Kong reached approximately HK\$223.9 billion by the end of 2015 as compared with approximately HK\$111.3 billion in 2010, with a CAGR of 15.0%. In 2020, the value in Hong Kong is likely to reach HK\$371.6 billion, with a CAGR of 10.7%. Accordingly, with the continuous growth in the Hong Kong's construction market, it is expected that the demand of the RMAA services in Hong Kong is likely to develop further. From 2010 to 2015, the value of RMAA market of Hong Kong increased from HK\$49.7 billion in 2010 to HK\$69.9 billion in 2015, representing a CAGR of approximately 7.0%.

According to the F&S Report, the RMAA market in Hong Kong is highly competitive with over 6,000 service providers specialising in various segment including private buildings, public facilities, residential buildings etc. The overall RMAA market in Hong Kong is well established and is considered as a fragmented market with the top five players contributing 7.0%. Our Group contributed 0.4% to the RMAA market in 2015. For further details on the overall construction industry in Hong Kong as well as the RMAA industry, including the maturity and size, market trends and prospects, please refer to the section headed "Industry overview" in this prospectus.

Our Directors consider that there are a number of market entry barriers to the construction industry in Hong Kong, which hinders the entry of new players. Such entry barriers mainly include track record, long-term relationship with the client and operation experience. Details of the entry barriers are set out in the paragraphs headed "Industry overview — Entry barriers" in this prospectus.

Our Directors believe that our competitive strengths will enable us to maintain our position as an active market player in our business segment of the construction industry in Hong Kong. Our competitive strengths in this respect include the following:

- We have an established operating history of over 17 years and proven track record;
- We maintain a credit worthy and diversified customer base;
- We have an experienced and professional management team; and
- We have the capabilities to provide integrated service of both (i) renovation and maintenance works as well as (ii) alteration and addition works and fitting-out works to our customers.

## BUSINESS

Details of our Group's competitive strengths are set out in the paragraphs headed "Business — Competitive strengths" in this prospectus.

### SEASONALITY

The projects involving external walls may suffer from delay due to adverse weather conditions like typhoons, and as a result, we may need to temporarily suspend our external wall works projects to avoid unsafe working environments. Such temporary suspension may lead to a delay in the completion of our works. In case of adverse weather conditions, we are usually entitled under the contracts to claim extension of time to complete our projects.

Save as mentioned above, our Directors believe that the RMAA and fitting-out industry in which we operate does not exhibit any significant seasonality.

### INTELLECTUAL PROPERTY

#### Trademarks

As at the Latest Practicable Date, our Group was applying for trademarks in Hong Kong. All of our applications were accepted and were published in the Hong Kong Intellectual Property Journal on 30 December 2016. In general, the applications will proceed to registration if no notice of opposition is filed within three months from 30 December 2016. Information relating to the trademarks is set out in the paragraphs headed "Statutory and general information — Further information about the business of our Group — 2. Intellectual property rights of our Group — (a) Trademark" in Appendix IV to this prospectus.

#### Domain name

As at the Latest Practicable Date, our Group is the owner of the following domain names which are considered by our Directors as material to the business of our Group:

Registered owner	Domain name	Registration date	Expiry date
Fulam Construction	www.chdev.com.hk	13 October 2016	13 October 2017
Fulam Construction	www.fulamce.com.hk	13 October 2016	13 October 2017

Save as the above, as at the Latest Practicable Date, we did not have any material intellectual property rights (whether registered or pending registrations) that are significant to our business operations or financial positions. As at the Latest Practicable Date, we had not engaged in, and were not aware of, any litigation or legal proceedings for the violation of intellectual property rights or any material violation.

## BUSINESS

### EMPLOYEES

#### Number of employees

	<b>As at the Latest Practicable Date</b>
Management	2
Project management	16
Tender	2
Administration, accounting and finance	7
Direct worker(s)	<u>1</u>
Total	<u><u>28</u></u>

#### Relationship with staff

Our Directors consider that we have maintained good relationships with our employees. We have not experienced any significant problems with our employees or any disruptions to our operations due to labour disputes nor had we experienced any difficulties in the recruitment or retention of experienced staff or skilled personnel during the Track Record Period and up to the Latest Practicable Date.

#### Training and recruitment policies

We generally recruit our employees from open market and place recruitment advertisements for recruitment purposes. We provide various trainings, including those on occupation health and work safety and induction training at each construction site to our employees to improve their technical competence and knowledge of construction regulatory requirements. Our safety officers give safety talks monthly to our employees on selected topics such as safety issues in relation to welding works.

#### Remuneration policy

We entered into separate labour contract with each of our employees in accordance with the applicable labour laws of Hong Kong. The remuneration package our Group offers to our employees includes a salary and bonuses. In general, we determine employee salaries based on each employee's qualifications, experience and capability and the prevailing market remuneration rate. The department heads of our Group will propose a salary rise and prepare a performance evaluation form if the employee's performance has exceeded expectation. Also, our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to bonuses and promotions.

## BUSINESS

### PROPERTIES

#### Owned property

The following table summarises the information regarding our owned property as at the Latest Practicable Date:

Address	Gross floor area	Use of the property
Unit B1, 8/F, Yip Fung Industrial Building, 28–36 Kwai Fung Crescent, Kwai Chung, New Territories, Hong Kong	Approximately 2,500 square feet (Note)	Workshop and ancillary office

*Note:* The gross floor area figure is provided by real estate agent.

#### Property valuation

As at the Latest Practicable Date, our Group had no single property with a carrying amount of 15% or more of our Group's total assets, and on this basis, our Group is not required by Rule 8.01A of the GEM Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, which requires a valuation report with respect to all of our Group's interests in land or buildings.

#### Leased property

The following table summarises the information regarding our leased property as at the Latest Practicable Date:

Address	Landlord	Usage	Key terms of the tenancy agreement
Car Park Space, No. V8, Yip Fung Industrial Building, 28–36 Kwai Fung Crescent, Kwai Chung, New Territories, Hong Kong	An Independent Third Party	Car parking space	Monthly rent of HK\$6,000.00 (inclusive of rates) with the term commencing from 15 August 2016 to 14 August 2017 (both dates inclusive.)

Save as disclosed above, our Group did not have any other property interests as at the Latest Practicable Date.

## BUSINESS

### LITIGATION AND POTENTIAL CLAIMS

As at the Latest Practicable Date, our Group involved in a number of civil claims, litigations and pending or threatened claims.

#### (1) Outstanding civil litigations as at the Latest Practicable Date

No.	Nature of incident/claim	Date/period of incident	Capacity of plaintiff(s)	Name(s) and capacity of defendant(s)	Amount/estimated quantum of damages claimed	Status
1	A claim for damages for personal injuries sustained by the plaintiff in 2012, it was alleged that the plaintiff suffered from body injuries when he was working at the construction site in Pok Fu Lam, Hong Kong.	17 May 2012	Our subcontractor's independent contractor	Fulam Construction as main contractor  Subcontractor of Fulam construction	To the best knowledge of our Directors, the plaintiff made a claim no less than approximately HK\$11.8 million.  Since the case has been taken up by the insurance company, apart from the contribution of HK\$4.0 million paid by us, the liability will be taken up by it. <sup>(Note)</sup>	As at the Latest Practicable Date, our Directors confirm that the case has been taken over by the insurance company.
2	A claim for damages for personal injuries sustained by the plaintiff in 2012, it was alleged that the plaintiff sustained injuries in his head, left orbital floor, left temporal and parietal bone, etc., when he was working at the construction site in Yau Yat Chuen, Kowloon.	19 November 2012	Our subcontractor's employee	Fulam Construction as main contractor  Subcontractor of Fulam construction	To the best knowledge of our Directors, the plaintiff made a claim of approximately HK\$8.4 million plus interest.  The insurance company and our subcontractor agreed to bear 80% and 20% of the settlement sum respectively. Our Directors consider that the amount of damage payable (if any) will be covered by our subcontractor and insurance company in full.	As at the Latest Practicable Date, our Directors confirm that the case has been taken over by the insurance company.
3	A claim for damages for personal injuries sustained by the plaintiff in 2015, it was alleged that the plaintiff's low back and right thigh were injured when he was working at the construction site in Tai Wai, New Territories.	5 August 2013	Our subcontractor's employee	Fulam Construction as main contractor  Subcontractor of Fulam construction	To the best knowledge of our Directors, the plaintiff made a claim of approximately HK\$4.0 million plus interest.  Since the case has been taken up by the insurance company, the liability will be taken up by it.	As at the Latest Practicable Date, our Directors confirm that the case has been taken over by the insurance company.

## BUSINESS

*Note:* Having considered the nature of the accident, the personal injuries suffered by the plaintiff and the age and other background of the plaintiff, our Directors, based on their experience in the industry, consider that disputes may arise among the insurance company and the insured parties including our Group. Our Directors were of the view that a settlement should be arranged among us, the insurance company and the relevant subcontractor to avoid prolonged negotiations and legal processes. In the view of the benefit of saving time, legal costs and unnecessary diversion of our management's resources and attention to all further process and negotiations in relation to the accident, a settlement in relation to the accident was arranged by Fulam Construction and the respective insurance company through negotiation in December 2014, under which Fulam Construction had agreed to contribute HK\$4.0 million (including HK\$1.0 million contributed by our subcontractor) to the insurance company and the insurance company agreed to cover all claims arising from the accident against Fulam Construction.

No provision was made for the above cases as our Directors believe that any above-mentioned personal injury claims and employee's compensation claims are expected to be covered by the relevant insurance policies taken out by our Group as contractor and/or settlement arrangements among our Group, our Group's subcontractors and the insurance company.

### **(2) Outstanding criminal litigation as at the Latest Practicable Date**

During the Track Record Period and up to the Latest Practicable Date, our Group had one criminal conviction in the course of our business. It was purported that Fulam Construction failed to take adequate steps to prevent a person on the site from falling from a height of 2 meters or more, contrary to section 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations (the "CS(S)R") made under the Factories and Industrial Undertakings Ordinance (the "FIUO"), in June 2014. Fulam Construction was convicted and fined HK\$17,000.

## BUSINESS

As at the Latest Practicable Date, our Group was subject to four criminal litigations in the course of our business pursuant to four summonses issued by the Labour Department on 27 August 2016 to Fulam Construction in the capacity as the main contractor of a construction site in Kowloon Tong. The following table sets forth the details of the four summonses:

Name of subsidiary	Particulars of the charges	Relevant laws and regulations	Estimated amount of penalty	Status
Fulam Construction	<p>On 5 March 2016, Fulam Construction was charged by the Labour Department for its alleged failure to take adequate steps to install safety measure to prevent workers on the site from falling from a height of 2 metres or more. Two summonses were issued for two units on different floors in the said construction site respectively.</p> <p>The incident arose from an inspection by the Labour Department at the same construction site of the incident referred below and no worker had suffered any injury.</p>	Section 38B(1), 68(1)(a) and 68(2)(g) of the CS(S)R made under the FIUO	<p>As advised by our Legal Counsel, pursuant to Regulations 68(1)(a) and 68(2)(g) of the CS(S)R, the maximum penalty for non-compliance without reasonable excuse is a fine of HK\$200,000 and imprisonment for 12 months, and in any other case to a maximum fine of HK\$200,000. Fulam Construction may be subject to the maximum penalty of a fine of HK\$200,000 for the charge in each of the summonses as imposed under Regulations 68(1)(a) and 68(2)(g) of the CS(S)R and therefore the relevant aggregate maximum penalty would be HK\$400,000. Further, since the directors, officers and employees of Fulam Construction are not the defendants, they will not have any liability. Therefore, nobody will be subject to any imprisonment under the charges. As advised by our Legal Counsel, based on the experience and knowledge of our Legal Counsel and the previous conviction of Fulam Construction, the likelihood of the maximum penalty being imposed is not high and a fair estimate of the likely penalty would be a fine of HK\$20,000 for each of the summonses if Fulam Construction is found liable.</p>	Ongoing. Hearings were conducted on 26 September 2016, 31 October 2016 and 28 November 2016 respectively. The next hearing is fixed on 21 February 2017.

## BUSINESS

Name of subsidiary	Particulars of the charges	Relevant laws and regulations	Estimated amount of penalty	Status
Fulam Construction	<p>On 5 March 2016, Fulam Construction was charged by the Labour Department for its alleged failure to ensure suitable and adequate safe access to and egress from a place of work at the bamboo scaffold on the external wall. Two summonses were issued for two units on different floors in the said construction site respectively.</p> <p>The incident arose from an inspection by the Labour Department at the same construction site of the incident referred above and no worker had suffered any injury.</p>	Section 38A(2), 68(1)(a) and 68(2)(g) of the CS(S)R	<p>As advised by our Legal Counsel, pursuant to Regulations 68(1)(a) and 68(2)(g) of the CS(S)R, the maximum penalty for non-compliance without reasonable excuse is a fine of HK\$200,000 and imprisonment for 12 months, and in any other case to a maximum fine of HK\$200,000. Fulam Construction may be subject to the maximum penalty of a fine of HK\$200,000 for the charge in each of the summonses as imposed under Regulations 68(1)(a) and 68(2)(g) of the CS(S)R and therefore the relevant aggregate maximum penalty would be HK\$400,000. Further, since the directors, officers and employees of Fulam Construction are not the defendants, they will not have any liability. Therefore, nobody will be subject to any imprisonment under the charges. As advised by our Legal Counsel, based on the experience and knowledge of our Legal Counsel and the previous conviction of Fulam Construction, the likelihood of the maximum penalty being imposed is not high and a fair estimate of the likely penalty would be a fine of HK\$20,000 for each of the summonses if Fulam Construction is found liable.</p>	Ongoing. Hearings were conducted on 26 September 2016, 31 October 2016 and 28 November 2016 respectively. The next hearing is fixed on 21 February 2017.

In view of the amount of the likely penalty of the above-mentioned incidents, our Directors consider that no provision is necessary to be made.

Having taken into account of (i) the relevant rules and guidelines imposed by the Building Department, Electrical and Mechanical Services Department and Housing Authority; and (ii) the convictions were minor and did not in volume any injury; as advised by our Legal Counsel, the abovementioned criminal litigations and conviction will not (i) have any impact on our Group's existing registrations and the subsequent renewal of registrations as a Registered General Building Contractor and Registered Electrical Contractor; and (ii) affect our application for the license of Group M1 (Maintenance) building contractor.

## BUSINESS

Further, based on our Directors' experience, they believe that the abovementioned criminal litigations and conviction will not affect our tender success rate and the operation and financial results of our Group.

### (3) Potential employees' compensation claims and personal injuries claims as at the Latest Practicable Date

All injured persons may commence their claims under the Employees' Compensation Ordinance and/or their personal injury claims under common law within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant accidents. Out of the six accidents recorded during the Track Record Period and up to the Latest Practicable Date, the limitation period of the potential employees' compensation claim against us in relation to the accident happened during the year ended 31 March 2015 has expired. Further, an employee of our subcontractor who was injured on 26 May 2015 filed an employees' compensation claim against us. As such, as at the Latest Practicable Date, we had a total of six potential personal injury claims and four potential employees' compensation claims. The following table sets out the details of these six potential personal injury claims and four potential employees' compensation claims:

No.	Nature of incident <i>(Note 1)</i>	Date of incident <i>(Note 1)</i>	Capacity of plaintiff(s) <i>(Note 1)</i>	Estimated quantum of damages <i>(Note 2)</i>	Status
1	A worker alleged that he suffered from hand sprain and back abrasion when he was working at construction site in Kwai Chung, New Territories	5 July 2014	Our subcontractor's employee	Nil	<p>The limitation period of the employees' compensation claim against us has expired while the limitation period of the potential personal injury claim will be expired on 5 July 2017.</p> <p>Fulam Construction was informed by the Labour Department that the plaintiff had notified it on the withdrawal/settlement of case and the Labour Department will not follow up with the incident.</p> <p>As advised by our Legal Counsel, if the potential personal injury claim proceeds, the case will be taken over by the insurance company.</p>

## BUSINESS

No.	Nature of incident <i>(Note 1)</i>	Date of incident <i>(Note 1)</i>	Capacity of plaintiff(s) <i>(Note 1)</i>	Estimated quantum of damages <i>(Note 2)</i>	Status
2	A worker alleged that she suffered from ankle bone fracture when she was working at construction site in Tsing Yi, New Territories	26 May 2015	Our subcontractor's employee	The plaintiff did not specify an amount in the statement of damages, as a result, the damages will be assessed by court	The plaintiff had filed an employees' compensation claim against us which had been settled while the limitation period of the potential personal injury claim will be expired on 26 May 2018.  As advised by our Legal Counsel, if the potential personal injury claim proceed, the case will be taken over by the insurance company.
3	A worker alleged that his thumb suffered from a cut when he was working at construction site in Shatin, New Territories	25 June 2015	Our subcontractor's employee	Approximately HK\$48,000 based on the certificate of compensation assessment issued by the Labour Department	As advised by our Legal Counsel, if the potential employees' compensation claim and/or potential personal injury claim proceed, the case will be taken over by the insurance company.
4	A worker alleged that he suffered from hip bone fracture when he was working at construction site in Mid levels, Hong Kong	14 December 2015	Our subcontractor's employee	Approximately HK\$200,000 based on the certificate of compensation assessment issued by the Labour Department	As advised by our Legal Counsel, if the potential employees' compensation claim and/or potential personal injury claim proceed, the case will be taken over by the insurance company.

## BUSINESS

No.	Nature of incident <i>(Note 1)</i>	Date of incident <i>(Note 1)</i>	Capacity of plaintiff(s) <i>(Note 1)</i>	Estimated quantum of damages <i>(Note 2)</i>	Status
5	A worker alleged that his hand suffered from a cut when he was working at construction site in Shatin, New Territories	31 August 2016	Our subcontractor's employee	Approximately HK\$11,000 based on the certificate of review of compensation assessment issued by the Labour Department	As advised by our Legal Counsel, if the potential employees' compensation claim and/or potential personal injury claim proceed, the case will be taken over by the insurance company.
6	A worker alleged that his thumb suffered from a cut when he was working at construction site in Wanchai, Hong Kong	23 September 2016	Our subcontractor's employee	Pending for the issue of a certificate of compensation assessment by the Labour Department	A Notice by Employer or of an Accident to an Employee Resulting in Death or Incapacity (Form 2) was filed with the Labour Department.  As advised by our Legal Counsel, if the potential employees' compensation claim and/or potential personal injury claim proceed, the case will be taken over by the insurance company.

*Notes:*

- (1) The abovementioned information is based on the respective Form 2 which has been filed with the Labour Department.
- (2) The figures indicated in this column are estimated for the respective employees' compensation claim only. No quantum of damages for person injury claim was estimated. As advised by our Legal Counsel, a personal injury claim normally includes the following heads of claim: damages for pain suffering and loss of amenity, loss of pre-trial earnings and MPF, loss of future earnings and MPF, loss of earning capacity, special damages such as medical expenses, tonic food expenses, travelling expenses etc. An assessment of quantum of each of those heads requires full particulars of the injuries suffered by the claimant, full medical records, full report of medical examination by experts of the relevant field(s), full information concerning the earnings of the claimant in the past 12 months, documentary evidence of all the expenses incurred by the claimant as a result of the injuries. Our Directors confirmed that as at the Latest Practicable Date, the available documents were not sufficient for making any such assessment.

## **BUSINESS**

In any event, our Group has insurance coverage for its liabilities of all these accidents and as at the Latest Practicable Date, notices of the accidents had been given to the insurers. It is expected that the injured persons would be fully covered by the mandatory insurance held by our Group.

Save as disclosed in this prospectus, no other claim, litigation or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group during the Track Record Period and as at the Latest Practicable Date.

# BUSINESS

## NON-COMPLIANCE

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident of our Group which is deemed to be material or systemic non-compliance. During the Track Record Period, there were certain non-compliance incidents of our Group in connection with the Construction Industry Council Ordinance (the “CICO”) and the Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations (the “PMCALR”), details of which are as follows:

Relevant section of the ordinance	Particular of the non-compliance	Reason for the non-compliance	Remedial action	Estimated/actual fine/penalty
Non-compliance with sections 34, 35 and 36 of the CICO	<p>Under sections 34, 35 and 36 of the CICO, we have the duty to file to the Construction Industry Council (i) a notice of commencement within a prescribed time limit after any construction operations have commenced; (ii) a notice of payment within a prescribed time limit after we receive a payment in respect of the construction operation; and (iii) a notice of completion within a prescribed time limit after the completion of the construction project. The purpose of filing the notice of payment and notice of completion is to facilitate the Construction Industry Council to assess the amount of construction industry levy payable by us under Schedule 5 of the Construction Industry Council Ordinance.</p> <p>There are 16 projects that are ongoing or were completed within two years before the Latest Practicable Date, in respect of which we have failed to file the relevant notices within the prescribed time limits.</p> <p>We also had incidents of failure to file the notices of payment and/or notices of completion within the prescribed time limits for projects that were completed before two years before the Latest Practicable Date.</p>	<p>The breach was not wilful and was due to the inadvertent oversight of our administrative staff.</p> <p>During the Track Record Period and up to the Latest Practicable Date, our Group had not been charged of any offence under CICO.</p>	<p>As at the Latest Practicable Date, we filed the relevant notices of commencement, notices of payment and notices of completion to the Construction Industry Council for projects that are ongoing or were completed within two years before the Latest Practicable Date. We will make timely payment of the construction industry levy and surcharge when the Construction Industry Council issued the provisional or final assessment after considering the filed notices of commencement, notices of payment and notices of completion. Further, we have taken internal control measures to avoid recurrence of the non-compliance. Our administrative staff is responsible for maintaining a register of all forms required and filed by our Group under the CICO. Our financial controller and company secretary, Mr. Chung Kiu Pan will oversee the maintaining of such register to ensure that all forms required are filed to the relevant authorities on time. In addition, our Directors will also review and verify the register from time to time to prevent the recurrence of the aforementioned non-compliances.</p>	<p>Under section 34 of the CICO, the maximum fine for the offence is HK\$2,000.</p> <p>Under sections 35 and 36 of the Construction Industry Council Ordinance, the maximum fine for each offence is HK\$10,000. Further, the construction industry levy and surcharge is recoverable by the Construction Industry Council as civil debt under section 47 of the Construction Industry Council Ordinance.</p> <p>As advised by the Legal Counsel, the time limits for the Construction Industry Council to make assessment or impose the surcharge are, whichever is the last of (a) two years after the completion of the construction; (b) two years after the expiry of the period within which the contract stipulates that the construction has to be completed; and (c) one year after evidence comes to the knowledge of the Construction Industry Council for it to make the assessment. As such, for projects that were completed before two years before the Latest Practicable Date, our Directors confirm that we had filed the notices of commencement such that the Construction Industry Council had knowledge about these projects, therefore the risk of liability of payment of the construction industry levy and surcharge is minimal, and the risk of fixed fine is also slight.</p> <p>As advised by the Legal Counsel, the time limits for prosecution of the criminal offences under sections 34, 35 and 36 of the CICO without reasonable excuse is 6 months after we filed the relevant forms retrospectively.</p> <p>As advised by the Legal Counsel, for projects that are on-going or were completed within two years before the Latest Practicable Date, since (a) if 6 months have already passed after we filed the relevant forms retrospectively, the relevant breaches under the CICO would have been time-barred; (b) we have filed the relevant notices of commencement, notices of payment and notices of completion to the Construction Industry Council for projects that are ongoing or were completed within two years before the Latest Practicable Date; (c) we have not received any notice of surcharge imposed by the Construction Industry Council in relation to our non-compliance with section 35 and 36 of the CICO; and (d) we have not been charged of any non-compliance under sections 34, 35 and 36 of the CICO, the Legal Counsel is of the view that the risk for fixed fine and surcharge is remote.</p> <p>For projects that are on-going or were completed within two years before the Latest Practicable Date, we have made provision for the levy expected to be paid by us at approximately HK\$1.9 million.</p> <p>Based on the nature of offence and the provision made by us for payment of the levy, the Legal Counsel takes the view that there should not be any legal impediment for us to rectify the non-compliance.</p>

## BUSINESS

Relevant section of the ordinance	Particular of the non-compliance	Reason for the non-compliance	Remedial action	Estimated/actual fine/penalty
Non-compliance with Regulations 4, 5 and 5A of the PMCALR	<p>Under regulations 4, 5 and 5A of the PMCALR, we have the duty to file to the Pneumoconiosis Compensation Fund Board (i) a notice of commencement within a prescribed time limit after any construction operations have commenced; (ii) a notice of payment within a prescribed time limit after we receive a payment in respect of the construction operation; and (iii) a notice of completion within a prescribed time limit after the completion of the construction project. The purpose of filing the notice of payment and notice of completion is to facilitate the Pneumoconiosis Compensation Fund Board to assess the amount of pneumoconiosis compensation fund levy payable by us under Schedule 5 of the Pneumoconiosis and Mesothelioma (Compensation) Ordinance (“PMCO”).</p> <p>There are 16 projects that are ongoing or were completed within two years before the Latest Practicable Date, in respect of which we have failed to file the relevant notices within the prescribed time limits.</p> <p>We also had incidents of failure to file the notices of payment and/or notices of completion within the prescribed time limits for projects that were completed before two years before the Latest Practicable Date.</p>	<p>The breach was not wilful and was due to the inadvertent oversight of our administrative staff.</p> <p>During the Track Record Period and up to the Latest Practicable Date, our Group had not been charged of any offence under PMCO or PMCALR.</p>	<p>As at the Latest Practicable Date, we filed the relevant notices of commencement, notices of payment and notices of completion to the Pneumoconiosis Compensation Fund Board for projects that are ongoing or were completed within two years before the Latest Practicable Date. We will make timely payment of the pneumoconiosis compensation fund levy and surcharge when the Pneumoconiosis Compensation Fund Board issued the provisional or final assessment after considering the filed notices of commencement, notices of payment and notices of completion. Further, we have taken internal control measures to avoid recurrence of the non-compliance. Our administrative staff is responsible for maintaining a register of all forms required and filed by our Group under the PMCALR. Our financial controller and company secretary, Mr. Chung Kiu Pan will oversee the maintaining of such register to ensure that all forms required are filed to the relevant authorities on time. In addition, our Directors will also review and verify the register from time to time to prevent the recurrence of the aforementioned non-compliances.</p>	<p>Under regulations 4, 5 and 5A of the PMCALR, the maximum fine for each offence is HK\$5,000. Further, the pneumoconiosis compensation fund levy and surcharge is recoverable by the Pneumoconiosis Compensation Fund Board as civil debt under section 38 of the PMCO.</p> <p>As advised by the Legal Counsel, the time limits for the Pneumoconiosis Compensation Fund Board to make assessment or impose the surcharge are, whichever is the last of (a) two years after the completion of the construction; (b) two years after the expiry of the period within which the contract stipulates that the construction has to be completed; and (c) one year after evidence comes to the knowledge of Pneumoconiosis Compensation Fund Board for it to make the assessment. As such, for projects that were completed two years before the Latest Practicable Date, our Directors confirm that we had filed the notices of commencement such that Pneumoconiosis Compensation Fund Board had knowledge about these projects, therefore the risk of liability of payment of pneumoconiosis compensation fund levy and surcharge is minimal, and the risk of fixed fine is also slight.</p> <p>As advised by the Legal Counsel, the time limits for prosecution of the criminal offences under regulations 4, 5 and 5A of the PMCALR without reasonable excuse is 6 months after we filed the relevant forms retrospectively.</p> <p>As advised by the Legal Counsel, for projects that are on-going or were completed within two years before the Latest Practicable Date, since (a) if 6 months have already passed after we filed the relevant forms retrospectively, the relevant breaches under the PMCALR would have been time-barred; (b) we have filed the relevant notices of commencement, notices of payment and notices of completion to the Pneumoconiosis Compensation Fund Board for projects that are ongoing or were completed within two years before the Latest Practicable Date; (c) we have not received any notice of surcharge imposed by the Pneumoconiosis Compensation Fund Board in relation to our non-compliance with regulations 5 and 5A of the PMCALR; and (d) we have not been charged of any non-compliance under regulations 4, 5 and 5A of the PMCALR, the Legal Counsel is of the view that the risk for fixed fine and surcharge is remote.</p> <p>For projects that are on-going or were completed within two years before the Latest Practicable Date, we have made provision for the levy expected to be paid by us at approximately HK\$0.5 million.</p> <p>Based on the nature of offence and the provision made by us for payment of the levy, the Legal Counsel takes the view that there should not be any legal impediment for us to rectify the non-compliance.</p>

As at the Latest Practicable Date, there had not been any record of charge laid against our Group for the above non-compliance incidents in connection with the CICO and PMCALR.

## BUSINESS

As confirmed by our Directors, as at the Latest Practicable Date, save as disclosed above, our Group has complied in all material respects with the applicable laws and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirmed that our Group did not receive any notices for any fines or penalties for any non-compliance that is material and systemic.

### **Indemnity given by our Controlling Shareholders**

Our Controlling Shareholders, collectively as the indemnifiers, entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any non-compliances of our Group on or before the date on which the Public Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraphs headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus.

### **INTERNAL CONTROL**

Our Group has engaged Baker Tilly, an independent internal control adviser, to perform a detailed evaluation of the adequacy and effectiveness of our Group’s internal control system including the areas of financial, operation, compliance and risk management with an aim to, among other matters, improve our Group’s corporate governance and ensure compliance with the applicable regulations.

Baker Tilly is part of Baker Tilly Hong Kong which is an affiliate of Baker Tilly International. Baker Tilly is a company providing, among others, internal control review services, which has been previously engaged in internal control review projects for a number of companies listed on the Stock Exchange and companies preparing for listing in Hong Kong.

The objective of the internal control review is to assess and identify significant weaknesses in relevant procedures, systems and controls as established by our Group. A detailed evaluation was done by Baker Tilly. Through an initial review during September 2016, Baker Tilly identified some weaknesses and deficiencies in our internal control system and recommended certain measures to be implemented. Based on such recommendations, we implemented remedial measures on the areas including staff management, budget and risk management, information and communication system and internal audit functions to improve our internal control system.

During the course of Baker Tilly’s internal control review other than the findings disclosed in the paragraph headed “Business — Litigation and potential claims — (2) Outstanding criminal litigation as at the Latest Practicable Date”, no material findings in relation to our criminal conviction and litigation were identified. Other than the findings which are already disclosed in paragraphs headed the “Business — Non-Compliance section”, Baker Tilly was not aware of any material findings in relation to our safety measures.

### **Internal control measures to improve corporate governance**

In order to prevent the reoccurrence of non-compliance of (i) Construction Industry Council Ordinance (“CICO”); and (ii) Pneumoconiosis and Mesothelioma (Compensation) Ordinance (“PM(CO)”) and the Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations

## BUSINESS

(“PM(C)(AL)R”) and to continuously improve our Group’s corporate governance and other relevant legal and regulatory compliance in the future, our Group has adopted or will adopt the following measures recommended by the Internal Control Consultant:

1. On 22 February 2017, we established a safety compliance committee (the “**Safety Compliance Committee**”), which the chairman is an independent non-executive Director, for the purpose of assisting in overseeing our compliance with laws and regulations relevant to health and safety as well as the adequacy and effectiveness of our safety plans. The Safety Compliance Committee shall:
  - (i) Review the effectiveness of our safety compliance procedures and plans, which will cover all material procedures, including operational and compliance procedures and risk management functions, and consider the adequacy of resources, staff qualifications and experience, training programmes and budget of our safety compliance function; and
  - (ii) Review the effectiveness of our on-going safety measures to prevent future industrial accidents and non-compliance incidents and provides updates on the applicable laws related to our business operations with the assistance of external professional parties including internal and external safety officers from time to time.
2. On 22 February 2017, we established an audit committee which will implement formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts. It will also periodically review our compliance status with the Hong Kong laws after the Listing. The audit committee will exercise its oversight by:
  - (i) reviewing our internal control and legal compliance;
  - (ii) discussing the internal control measures with the management of our Group to ensure that the management has performed its duty to establish and maintain an effective internal control system; and
  - (iii) considering the major investigation findings on internal control matters as delegated by the Board or on its own initiative and the management’s response to these findings.
3. Regarding the non-compliance of CICO and PM(C)(AL)R, our administrative staff is responsible for maintaining a register of all forms required and filed by our Group under the CICO, PM(C)O and PM(C)(AL)R. Our financial controller and company secretary, Mr. Chung Kiu Pan will oversee the maintaining of such register to ensure that all forms required are filed to the relevant authorities on time. In addition, our Directors will also review and verify the register from time to time to prevent the recurrence of the aforementioned non-compliances.
4. On 4 November 2016, our Directors attended training sessions conducted by our legal adviser as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.

## BUSINESS

5. We have engaged Alliance Capital as our compliance adviser upon Listing to advise us on regulatory compliance with the GEM Listing Rules.
6. When necessary, we will engage external professional, including auditors, an internal control consultant, external legal adviser(s) and other advisers to render professional advice as to internal controls and compliance with statutory and regulatory requirements, as applicable to our Group from time to time.

In November 2016, Baker Tilly performed follow-up review on our safety measures and internal control system. Major material findings in relation to our deficiencies of internal controls were rectified by us. Baker Tilly is of the view that our existing procedures, system and controls are adequate and effective.

### **View of our Directors and the Sole Sponsor**

Based on Baker Tilly's review and recommendations, our Group adopted the measures and policies to improve its internal control system and to ensure its compliance with the GEM Listing Rules and the relevant Hong Kong laws. Also, after Baker Tilly performed their follow-up review in November 2016, they were satisfied that our Group implemented the internal control measures according to their recommendation, they thus have not identified any further issues and have made no further recommendations in the respective areas covered in their reviews. Based on the results of the internal control review above, our Directors are of the view, and the Sole Sponsor concurs, to the adequate and effective internal control procedures and policies may have been put in place by our Group.

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

Key risks relating to our business are set out in the section headed "Risk factors" in this prospectus. The following sets out the key measures adopted by our Group under our risk management and internal control systems for managing the more particular operational and financial risks relating to our business operation:

**(i) Risk relating to cost inflation**

Please refer to the paragraphs headed "Pricing strategy" in this section.

**(ii) Risk relating to subcontractors' performance**

Please refer to the paragraphs headed "Suppliers — Selection of suppliers", "Subcontracting arrangements — Secondary liability arising from our subcontractors and control measures" and "Subcontracting arrangements — Major terms with subcontractors" in this section.

**(iii) Safety system**

Please refer to the paragraphs headed "Occupational health and safety" in this section.

**(iv) Risk relating to suppliers' performance**

Please refer to the paragraphs headed "Suppliers — Selection of suppliers" in this section.

## BUSINESS

**(v) Financial risks, in particularly interest rate risk, credit risk and liquidity risk**

Please refer to the paragraphs headed “Financial information — Financial risk management” in this prospectus and Note 25 in the Accountants’ Report in Appendix I to this prospectus.

**(vi) Quality control system**

Please refer to the paragraphs headed “Quality assurance” in this section.

**(vii) Environmental management system**

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

**(viii) Corporate governance measures**

Please refer to the paragraphs headed “Relationship with the Controlling Shareholders — Non-compete undertaking — 3. Corporate governance measures” in this prospectus.

### LICENCES AND PERMITS

In order to undertake RMAA works as a main contractor, the contractor must be registered with the Buildings Department as a registered general building contractor, unless the main contractor subcontracts those works to an appropriate registered contractor who is duly registered with the Buildings Department.

During the Track Record Period and up to the Latest Practicable Date, Fulam Construction obtained the following registrations, details of which are as follows:

<b>Registration</b>	<b>Granted by</b>	<b>Granted to</b>	<b>Date of first registration</b>	<b>Date of next renewal</b>
Register of General Building Contractors	Buildings Department	Fulam Construction	February 2003	January 2018
Register of Electrical Contractors	Electrical and Mechanical Services Department	Fulam Construction	October 2005	December 2017

Renewal of the above-mentioned registrations is required every three years, and we did not experience any refusal of renewal of any licences necessary for our business during the Track Record Period and up to the Latest Practicable Date, our Directors believe that we will not encounter any difficulties in obtaining the renewal of any licences in the future.

Furthermore, in order for Fulam Construction to maintain the registration as a Registered General Building Contractor, Fulam Construction must have at least one Authorised Signatory to act for it for the purposes of the Buildings Ordinance and one Technical Director to carry out certain duties including,

## BUSINESS

among others, providing technical support for the execution of works and ensuring that the works are carried out in accordance with the Buildings Ordinance. The Building Authority only accepts one Authorised Signatory to act for the Registered General Building Contractor for each project and requires a minimum of one director from the board of directors of the Registered General Building Contractor. Thus, the Building Authority imposes specific requirements on the qualifications and experience of such Authorised Signatory and Technical Director. For further details of the above, please refer to the paragraphs headed “Laws and regulations — Laws and regulations in relation to the contractor licensing regime — Buildings Department” in this prospectus.

Currently, Mr. Law Fu Ting is the Authorised Signatory. In the case of temporary absence or cease to be our employee of Mr. Law Fu Ting, our Directors consider that Mr. Leung is able to replace Mr. Law Fu Ting and take up the role of the Authorised Signatory, taking into account of Mr. Leung’s qualifications and industry experience. As such, our Directors consider that they are not aware of any circumstances that would significantly hinder or delay our business operations which required our registration as a Registered General Building Contractor.

According to the practice note issued by the Buildings Department, there will not be any immediate effect to the ongoing projects if an acceptable replacement is appointed within a reasonable period of time. Currently, Mr. Leung is the Technical Director. In the event Mr. Leung retires or resigns, Fulam Construction intends to appoint Ms. Mak Pui Chun, one of our senior management, as our Technical Director. Ms. Mak Pui Chun has more than three years of local experience in building industry and has obtained a bachelor’s degree in relevant field and hence she would satisfy the qualification and experience requirements specified by the Buildings Department. In addition, our Group has entered into a service agreement with Mr. Leung which he has to give our Group a six-month notice for his resignation. Our Directors believe that the six-month notice period will provide Fulam Construction with sufficient time to arrange the replacement for the role of Technical Director.

Our Directors, upon obtaining legal advice, confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had obtained and held all the approvals, permits, consents, licences and registrations required for our business and operations in Hong Kong, and that all of them remain in force. Please refer to the paragraphs headed “Laws and regulations — Laws and regulations in relation to the contractor licensing regime and operation” in this prospectus for the discussion of the regulatory requirements of our business.

## BUSINESS

### MAJOR CERTIFICATIONS

The following table sets out our major certifications:

Nature	Certification	Scope	Holder	Year of grant
Environmental management system accreditation	ISO 14001	<ul style="list-style-type: none"> <li>— Building activities to keep, restore and improve the facilities of buildings and surroundings in Hong Kong</li> <li>— Maintenance of fire services and water pumps system in Hong Kong</li> </ul>	Fulam Construction	2006 <sup>(Note 1)</sup>
Occupational health & safety management system accreditation	OHSAS 18001	<ul style="list-style-type: none"> <li>— Building activities to keep, restore and improve the facilities of buildings and surroundings in Hong Kong</li> <li>— Maintenance of fire services and water pumps system in Hong Kong</li> </ul>	Fulam Construction	2011 <sup>(Note 2)</sup>
Quality management system accreditation	ISO 9001	<ul style="list-style-type: none"> <li>— Building activities to keep, restore and improve the facilities of buildings and surroundings in Hong Kong</li> <li>— Maintenance of fire services and water pumps system in Hong Kong</li> </ul>	Fulam Construction	2001 <sup>(Note 3)</sup>

*Notes:*

1. Our ISO 14001:2004 accreditation for Fulam Construction obtained in 2006 was renewable upon each expiry and the current one is valid till 20 June 2018.
2. Our OHSAS 18001:2007 accreditation for Fulam Construction obtained in 2011 was renewable upon each expiry since then and the current one is valid till 18 October 2017.
3. Our ISO 9001:2000 accreditation for Fulam Construction obtained in 2001 has been renewed by ISO 9001:2008, which was renewable upon each expiry and the current one is valid till 15 September 2018.

## BUSINESS

Each of ISO 9001, ISO 14001 and OHSAS 18001 certification generally carry a duration of three years, within which period surveillance audit is conducted by the certification body every year to review the implementation of the relevant systems for compliance. After this three-year period, each of the ISO 9001, ISO 14001 and OHSAS 18001 certification are to be further certified subject to successful implementation of a renewal audit by the certification body.

### RECOGNITIONS AND AWARDS

The following table sets out our major non-recurring awards and recognitions:

Year of award	Recipient	Award	Awarding organisation or authority
2007	Fulam Construction	Asia Pacific Interior Design Awards — silver medal of Asia Pacific Interior Design Awards in the category of institution & public space for conservation and restoration of St. Paul’s Church	Hong Kong Interior Design Association
2008	Fulam Construction	Asia Pacific Interior Design Awards — bronze medal in the category of institution & public space for conservation and restoration of SKH Ming Hua Theological College	Hong Kong Interior Design Association
2010	Fulam Construction	Quality Building Award 2010 — finalist in special awards category, community institutional facilities in recognition of the high standard of quality of transformation of an existing car park into the Hong Kong Jockey Club Tin Shui Wai Telebet Centre	Jointly organised by several professional construction institutions in Hong Kong
2012	Fulam Construction	Futurarc Green Leadership Award 2012 on interior architecture, design and fitting out works for Hong Kong Green Building Council Office	FuturArc Journal

## BUSINESS

<b>Year of award</b>	<b>Recipient</b>	<b>Award</b>	<b>Awarding organisation or authority</b>
2012	Fulam Construction	Green building award 2012 — merit award, existing building category — interior — Hong Kong on design and fitting out works for Hong Kong Green Building Council office	Hong Kong Green Building Council Limited
2012	Fulam Construction	Futurarc Green Leadership Award 2012 on interior architecture, transformation of an existing carpark into the HK Jockey Club Tin Shui Wai Telebet Centre	FuturArc Journal

## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

### **CONTROLLING SHAREHOLDERS OF OUR COMPANY**

On 11 November 2016, Mr. Leung and Mr. Ho entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert of each of the members of our Group during and since the Track Record Period and continue as of and after the date of the Concert Parties Confirmatory Deed. Details of the Concert Parties Confirmatory Deed are set out in the paragraphs headed “History, reorganisation and corporate structure — Parties acting in concert” in this prospectus.

Immediately following the completion of the Capitalisation Issue and the Public Offer (assuming that no Share is issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), by virtue of the Concert Parties Confirmatory Deed, Diamondfield (being wholly owned by Mr. Ho) and Sharp Talent (being wholly owned by Mr. Leung) will be together interested in 66.6% of the issued share capital of our Company, with (i) Diamondfield holding approximately 21.2% of the total issued share capital of our Company on a standalone basis; and (ii) Sharp Talent holding approximately 45.4% of the total issued share capital of our Company on a standalone basis. By virtue of the acting in concert arrangement between Mr. Leung and Mr. Ho set out in the paragraphs headed “History, reorganisation and corporate structure - Parties acting in concert” in this prospectus which are confirmed and documented in the Concert Parties Confirmatory Deed, as Mr. Leung, Mr. Ho, Diamondfield and Sharp Talent will collectively continue to control more than 30% of the issued share capital of our Company, they will be a group of Controlling Shareholders within the meaning of the GEM Listing Rules.

### **RULE 11.04 OF THE GEM LISTING RULES**

Each of the Controlling Shareholders, our Directors and their respective close associates do not have any interest in business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, which would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### **INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS**

Having considered the following factors, our Directors believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and their respective close associates after the Listing:

#### **Management and administrative independence**

Our management and operational decisions are made by the Board and senior management. The Board comprises two executive Directors and three independent non-executive Directors. Although Mr. Leung and Mr. Ho, who are the ultimate Controlling Shareholders, also hold directorship in our Company, we consider that the Board and senior management will function independently from our Controlling Shareholders because:

- (a) each Director is aware of his/her fiduciary duties as a Director, which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meetings of the Board in respect of such transactions and shall not be counted in the quorum;
- (c) the senior management team of our Group is independent from our Controlling Shareholders;
- (d) our three independent non-executive Directors have sufficient and competent knowledge and experience, and will bring independent judgment to the decision-making process of the Board; and
- (e) all our senior management members are independent from our Controlling Shareholders. They have served our Group for a sufficient length of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

Based on the above, our Directors believe that our Company is capable of maintaining management independently from the Controlling Shareholders.

### **Financial independence**

Our Company has an independent financial system and makes financial decisions according to our Group's own business needs. We have sufficient capital to operate our business independently, and have adequate internal resources and credit profile to support our daily operations.

The amounts due from Directors, Mr. Leung and Mr. Ho, to our Group was approximately HK\$16.7 million as at 31 August 2016. Such amount was unsecured, interest-free and repayable on demand. Our Directors confirm that the aforementioned amounts due from Directors will be settled before the Listing by a special dividend.

### **Operational independence**

Our Group has established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, sales and marketing and general administration resources, with our Controlling Shareholders and/or their respective close associates.

As at the Latest Practicable Date, there were no business transactions between us and any of our Controlling Shareholders.

Based on the above, our Directors are of the view that we are independent of our Controlling Shareholders in terms of business operations.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### Independence of major customers

Our Directors confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

### NON-COMPETE UNDERTAKING

Our Controlling Shareholders as covenantors (each of them, a “**Covenantor**” and collectively, the “**Covenantors**”) executed the Deed of Non-Competition in favour of our Company (for itself and as trustee for and on behalf of our subsidiaries).

In accordance with the Deed of Non-Competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be listed on GEM; or (ii) the date on which that Covenantor and his/its close associates (individually or taken as a whole) cease to be a Controlling Shareholder:

#### 1. Non-competition

Each Covenantor jointly and severally and irrevocably undertakes and covenants to our Company that each of them will not, and will procure that its/his close associates (except any members of our Group) will not, either on his/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly, among other things, carry on, participate or be interested or engaged in or acquire or hold any right or interest (in each case whether as an investor, a shareholder, principal, partner, director, employee, consultant, agent or otherwise and whether for profit, reward, interest or otherwise), or otherwise be involved in any business which is or may be in competition, whether directly or indirectly, with the business carried on (including but not limited to the provision of RMAA and fitting-out works services in Hong Kong or contemplated to be carried on by any member of our Group in anywhere of place where our Group has conducted business as at the date of the Deed of Non-Competition or may conduct business from time to time in the future (“**Restricted Business**”).

#### 2. New business opportunity

Each of the Covenantors hereby represents and warrants that neither it/he nor any of its/his close associates currently carries out, participates in or is interested or engaging in, invests in, acquires or holds, directly or indirectly (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward, interest or otherwise) or otherwise is involved in the Restricted Business other than through our Group.

Each of the Covenantors further undertakes to refer to our Company within 10 days any and all new opportunities in connection with the Restricted Business (“**New Business Opportunity**”) which are identified by or made available to any of them.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Notwithstanding the aforesaid, the Deed of non-competition does not apply where:

1. any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business has first been offered or made available to our Group, and that the offer should contain all information reasonably necessary for our Group to consider whether (i) such opportunity would constitute competition with any Restricted Business and (ii) it is in the interest of our Group and the shareholders of our Company as a whole to pursue such opportunity, and our Company has, after review by the independent non-executive Directors, declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with the Covenantor and/or its/his close associate(s), provided that the principal terms by which that Covenantor (or its/his close associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to the Company. A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the “**Non-acceptance Notice**”); or (ii) the Non acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company;
2. each Covenantor having interests in the shares or other securities in a company whose shares are listed on a recognised stock exchange provided that:
  - (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of the relevant company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or
  - (b) the total number of the shares held by the Covenantors and/or their respective close associates or in which they are together interested does not exceed 5% of the issued shares of that class of the company in question (the “**Relevant Company**”), provided that (i) the total number of the relevant Covenantors’ representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his shareholdings in the Relevant Company; and (ii) at all times there is a holder of such shareholding (together, where appropriate, with its close associates) a larger percentage of the shares in question than the Covenantors and their respective close associates together hold.

### 3. Corporate governance measures

In order to ensure the performance of the above non-competition undertakings, the Covenantors will:

- (a) as required by our Company, provide all information which is necessary for our independent non-executive Directors to conduct annual examination with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it;

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual examination by the independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (c) procure our Company to disclose to the public either in the annual report of our Company or issue a public announcement in relation to any decisions made by our independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it;
- (d) where our independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-Competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-Competition and the enforcement of it are in accordance with the requirements of the GEM Listing Rules; and
- (e) that during the period when the Deed of Non-Competition is in force, fully and effectually indemnify our Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-Competition.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon (a) the Listing Division granting the listing of, and the permission to deal in, the Shares, as described in this prospectus, and (b) the Listing and dealings in the Shares on GEM taking place.

As the Covenantors have given non-competition undertakings in favour of our Company, and none of them have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that they are capable of carrying on our Group's business independently of the Covenantors following the Listing.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors. The Board is responsible and has general powers for management and conduct of our Group's business:

*The following table sets forth certain information regarding our Directors:*

Name	Age	Present position(s) in our Company	Date of appointment as Director of our Company	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Directors and senior management
<b>Executive Directors</b>						
Mr. Leung Ka Ho, Raymond (梁家浩)	48	Chairman of the Board, chief executive officer and executive Director	18 October 2016	September 2002	Overall business strategy, preparing annual budget proposals, and major business decisions of our Group	N/A
Mr. Ho Chi Kwan (何智崐)	44	Executive Director	18 October 2016	September 1999	Overall business strategy, preparing annual budget proposals, and major business decisions of our Group	N/A
<b>Independent non-executive Directors</b>						
Mr. Leung Hung Kwong, Derrick (梁雄光)	47	Independent non-executive Director	22 February 2017	22 February 2017	Providing independent advice to the Board; serving as the Chairman of the Remuneration Committee and Safety Compliance Committee, and a member of each of the Audit Committee and Nomination Committee; advising on corporate governance matters	N/A

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Present position(s) in our Company	Date of appointment as Director of our Company	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Directors and senior management
Mr. Moy Yee Wo, 38 Matthew (梅以和)		Independent non- executive Director	22 February 2017	22 February 2017	Providing independent advice to the Board; serving as the Chairman of the Nomination Committee, and a member of each of the Audit Committee and Remuneration Committee; advising on corporate governance matters	N/A
Mr. Yau Sze 39 Yeung (邱思揚)		Independent non- executive Director	22 February 2017	22 February 2017	Providing independent advice to the Board; serving as the Chairman of the Audit Committee, and a member of each of the Remuneration Committee and Nomination Committee; advising on corporate governance matters	N/A

*The following table sets forth certain information concerning our other senior management members:*

Name	Age	Present position(s) in our Company	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Directors and senior management
Mr. Cheng Kwok Kuen (鄭國權)	43	Project manager	March 2006	Responsible for overall project management	N/A
Ms. Mak Pui Chun (麥珮珍)	40	Project manager	August 2011	Responsible for overall project management	N/A

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Present position(s) in our Company	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Directors and senior management
Mr. Chung Kiu Pan (鍾喬濱)	31	Financial controller and company secretary	October 2016	Responsible for financial reporting, financial planning, internal control and corporate secretarial practices and procedures of our Group	N/A

### DIRECTORS

#### Executive Directors

**Mr. Leung Ka Ho, Raymond (梁家浩)**, aged 48, was appointed as our Director on 18 October 2016 and was redesignated as an executive Director and appointed as the chairman and chief executive officer of our Company on 15 December 2016. Mr. Leung is a director of each of Fulam Construction and Fulam Engineering and the compliance officer of our Company. Mr. Leung is responsible for our overall business strategy, preparing annual budget proposals, and major business decisions of our Group.

Mr. Leung has over 27 years of experience in the construction industry and possesses extensive knowledge in planning and managing construction projects of various nature. Prior to joining our Group, Mr. Leung worked initially as a trainee quantity surveyor and was promoted to assistant quantity surveyor in Shui On Building Contractors Limited from January 1989 to June 1990. He was then employed as an assistant quantity surveyor and was promoted to quantity surveyor from June 1990 to September 1991 in Maeda Corporation where his duties included quantity surveying works, tendering works and civil engineering measurement works. From August 1992 to September 1993, he was employed by Wecon Limited initially as an assistant site agent and was promoted to site agent. From November 1994 to March 1996, he joined Laws Real Estate Agency Limited as an assistant project manager where he took lead of building development, ongoing maintenance, re-fitting-out and renovation projects from the conceptual design to implementation. For the period from July 1996 to September 1998 Mr. Leung worked initially as a project manager and was promoted to contracts manager in Wang On Construction Company Limited where his responsibilities included, among other things, taking up project management, monitoring site progress and control and coordination among subcontractors. He then joined Tat Hing Construction Company Limited in September 1998 as a director and resigned as a director in April 2002. From August 1998 to August 2002, Mr. Leung also joined Lee Shing Yue Constructions Company Limited initially as a project manager and was then elected as a Technical Director where his duties included, among other things, overall contract administration and project management.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Leung obtained his higher diploma in building from City Polytechnic of Hong Kong (currently known as the City University of Hong Kong) in November 1991 and a bachelor's degree of science in building from the South Bank University in the United Kingdom in June 1992. In March 1995, Mr. Leung obtained his master's degree of science in architecture from the University College London in the United Kingdom.

Mr. Leung has been a member of Australian Institute of Building since March 2001, a member of the Chartered Institute of Building since July 2002, a member of the Hong Kong Institute of Construction Managers (previously known as Hong Kong Institute of Builders) since April 2007, and a member of the Contractor's Authorised Signatory Association Limited since December 2008.

Mr. Leung had served in Government body. For the period from January 2011 to December 2012, Mr. Leung was appointed by the Building Authority as a member of Minor Works Contractors Registration Committee Panel.

Mr. Leung was a director of the following companies which were incorporated in Hong Kong before their respective dissolution:

Name of Company	Nature of Business	Means of dissolution	Date of dissolution
Clearview Profit Limited	Property holding	Dissolved by striking off under section 291 of Predecessor Companies Ordinance ( <i>Note</i> )	9 November 2012
Po Wo Construction (International) Company Limited	Never commenced business	Dissolved by striking off under section 291 of Predecessor Companies Ordinance ( <i>Note</i> )	10 March 2006
Top Achievement Development Company Limited	Never commenced business	Dissolved by striking off under section 291 of Predecessor Companies Ordinance ( <i>Note</i> )	16 January 2004

*Notes:* Pursuant to section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies in Hong Kong has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar of Companies in Hong Kong may strike the name of the company off the register after the expiration of a specified period.

Mr. Leung confirmed that each of the relevant companies was solvent and it had not carried out any substantial business at the time of it being struck off.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Leung was also appointed as a director of Lee Shing Yue Construction Company Limited (“**Lee Shing Yue**”) in May 2001. Lee Shing Yue was a private limited Hong Kong company incorporated in January 1969. Prior to the commencement of the creditor’s voluntary winding-up, it was engaged in the construction business. In April 2002, it was adjudged by the High Court of the Hong Kong SAR in a contractual dispute case between Lee Shing Yue, being a main contractor, and a contractor that Lee Shing Yue should pay to the contractor, inter alia, a sum of HK\$14,320,353 and other sums such as outstanding certified payment, interests and costs. In the course of the appeal against the judgment, the court dismissed Lee Shing Yue’s application for a stay of execution of the judgment and the contractor therefore commenced enforcement of the judgment and seized Lee Shing Yue’s business bank accounts and assets. As a result, the then board of directors of Lee Shing Yue considered that under such circumstances, Lee Shing Yue could no longer be able to continue its business. On 10 August 2002, a director of Lee Shing Yue filed a statutory declaration with the Companies Registry pursuant to section 228A of the Predecessor Companies Ordinance as the directors were of the opinion that Lee Shing Yue could not by reason of its liabilities continue its business and it was necessary that Lee Shing Yue be wound up. On 16 August 2002, a petition for the winding up of Lee Shing Yue was filed by the contractor in court. On 5 September 2002, two provisional liquidators were appointed for the purposes of the voluntary winding up of Lee Shing Yue pursuant to a court order on 20 August 2002, on a joint and several basis, and started the process of the winding-up of Lee Shing Yue. Mr. Leung confirmed that the winding-up process was still ongoing as at the Latest Practicable Date.

Mr. Leung became a director of Lee Shing Yue pertaining to his promotion as a technical director thereof only in May 2001. Before that, he was employed as a project manager of Lee Shing Yue since August 1998 and then promoted as the technical director in May 2001 until August 2002. Mr. Leung did not have any shareholding interest in Lee Shing Yue during and after his employment with Lee Shing Yue. During his employment with Lee Shing Yue, his duties mainly focused on the technical aspect of Lee Shing Yue’s business, such as project management, overall contract administration, liaison and supervising subcontractors’ quality and safety performance. Mr. Leung confirmed that he was not involved in the financial aspect of Lee Shing Yue during his employment with Lee Shing Yue. Mr. Leung further confirmed that no actual or potential claim had been or would be made against him as a result of such winding up petition.

Mr. Leung confirmed that there was no wrongful act on his part leading to the above dissolutions or commencement of winding up process, and he was not aware of any actual or potential claim that had been or would be made against him as a result of the dissolutions.

Our company’s corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code (“**CG Code**”) in Appendix 15 to the GEM Listing Rules. Except for the deviation from CG Code provision A.2.1, our Company’s corporate governance practices have complied with the CG Code.

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Leung is the chairman and the chief executive officer of our Group. In view of Mr. Leung has been operating and managing our Group since 2002, our Board believes that it is in the best interest of our Group to have Mr. Leung taking up both roles for effective management and business development. Therefore, our Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. Ho Chi Kwan (何智崑)**, aged 44, was appointed as our Director on 18 October 2016 and was redesignated as an executive Director of our Company on 15 December 2016. Mr. Ho is responsible for our overall business strategy, preparing annual budget proposals, and major business decisions of our Group.

Mr. Ho has over 21 years of experience in the construction industry. Prior to founding Fulam Construction, Mr. Ho was employed by Tat Hing Construction Company Limited as a manager from April 1995 to January 1999. Mr. Ho has then been a director of each of Fulam Construction and Fulam Engineering since the dates of their incorporation. He has been an associate member of Hong Kong Institute of Project Management since February 2012.

Mr. Ho completed a certificate course in building services, design, installation and maintenance organised by Hong Kong Productivity Council in November 1998. He also completed a number of courses organised by the Construction Industry Training Authority, namely, (a) a part time demolition of building course for supervisors/foremen in August 1999; and (b) a part time course for qualifying site supervisors as technically competent persons in modules including site safety supervision, construction safety, construction supervision, specialist work (site formation and slope repairs), introduction to specialist work and administration and management from February 2000 to November 2005. Moreover, Mr. Ho completed a number of programs at the training center of T. S. Tam Architects Limited, namely, (a) advanced certificate on construction safety management in September 2005; (b) construction safety supervisor in December 2005; and (c) construction environmental management in March 2006.

### **Independent non-executive Directors**

**Mr. Leung Hung Kwong, Derrick (梁雄光)**, aged 47 was appointed as our independent non-executive Director on 22 February 2017. He is the chairman of the Remuneration Committee and the Safety Compliance Committee, and a member of each of the Audit Committee and Nomination Committee.

Mr. Leung Hung Kwong, Derrick has over 24 years of experience in the engineering and construction industry. He was an assistant civil engineer of Fong On Construction & Engineering Company Limited from April 1991 to September 1991 where his duties were in the design of a number of projects including site formation works; caisson wall; retaining wall and foundation system etc. From February 1994, he was employed by Ove Arup & Partners Hong Kong Limited and he was a chartered engineer when he left the firm in July 1999. He worked as a geotechnical engineer in Maunsell Geotechnical Services Limited from July 1999 to February 2000. From February 2000 to August 2008, he joined Meinhardt (C&S) Limited as a senior engineer and was promoted to executive engineer. In August 2008, Mr. Leung Hung Kwong, Derrick joined Yee Hop Engineering Company Limited. Yee Hop Engineering Company Limited is the subsidiary of Yee Hop Holdings Limited, a company listed on the Main Board (Stock Code: 1662). He has been the executive director of Yee Hop Holdings Limited since February 2015.

Mr. Leung Hung Kwong, Derrick obtained his bachelor's degree of science in engineering from the National Taiwan University in Taiwan in June 1990. He obtained his master's degree of philosophy in civil & structural engineering from the Hong Kong University of Science & Technology in November 1994.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Leung Hung Kwong, Derrick has been a member of the Institution of Structural Engineers since November 1997 and a member of the Hong Kong Institution of Engineers in the disciplines in civil, geotechnical and structural since August 1999. He has also been a registered professional engineer (geotechnical, structural) of engineers registration board since April 2000.

Mr. Leung Hung Kwong, Derrick was a director of the following companies which were incorporated in Hong Kong and were struck off before their respective dissolution and striking off.

Name of Company	Nature of business	Means of dissolution	Date of dissolution
LLK Consulting Engineers Limited	Never commenced business	Dissolved by striking off under section 291 of Predecessor Companies Ordinance ( <i>note 1</i> )	25 February 2011
LLK Contractors Limited	Never commenced business	Dissolved by striking off under section 291 of Predecessor Companies Ordinance ( <i>note 1</i> )	18 March 2011

*Note:*

- (1) Pursuant to section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies in Hong Kong has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar of Companies in Hong Kong may strike the name of the company off the register after the expiration of a specified period.

Mr. Leung Hung Kwong, Derrick confirmed that the each of the relevant companies was solvent and it had not carried out any substantial business at the time of it being struck off.

**Mr. Moy Yee Wo, Matthew (梅以和)**, aged 38, was appointed as our independent non-executive Director on 22 February 2017. He is the Chairman of the Nomination Committee, and a member of each of the Audit Committee and Remuneration Committee.

Mr. Moy has over 10 years of experience in various sections of the financial industry including audit, corporate finance and asset management. Prior to joining our Group Mr. Moy was employed by Deloitte Touche Tohmatsu with his last position as senior accountant II. He also worked as a type 9 (asset management) licensed representative in VL Asset Management Limited from July 2011 to August 2012. Since August 2012, he has been the chief financial officer of China Silver Group Limited, a company listed on the Main Board (Stock Code: 0815).

Mr. Moy obtained his bachelor of business administration in accounting in November 2001 and he further obtained his master of business administration in April 2008 at the Hong Kong University of Science & Technology.

Mr. Moy has been a member of the Hong Kong Institute of Certified Public Accountants since July 2005.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. Yau Sze Yeung (邱思揚)**, aged 39, was appointed as our independent non-executive Director on 22 February 2017. He is the Chairman of the Audit Committee, and a member of each of the Remuneration Committee and Nomination Committee.

Mr. Yau has over 14 years of experience in various sections of the financial industry including audit and corporate finance. Mr. Yau worked in Deloitte Touche Tohmatsu from September 2001 to October 2009 with the last position as a manager. He worked as a financial controller in Man Wah Holdings Limited, a company listed on the Main Board (stock code: 1999) engaging in the production and sales of recliner sofas, from October 2009 to July 2011. From June 2011 to July 2012, he worked as a chief financial officer of Interior Contract International Limited. From August 2012 to April 2015, he worked as a financial controller in Akei Plastic-Machine Manufactory Limited and his responsibilities included overseeing the company's financial position and managing an accounting team. Mr. Yau joined Janco International Freight Limited (currently known as JFX Limited) in July 2015 as the financial controller. In September 2015, Mr. Yau was transferred from JFX Limited to Janco Global Logistics Limited, which is currently a subsidiary of Janco Holdings Limited, a company listed on the GEM (Stock Code: 8035) and Mr. Yau has been the executive Director, financial controller and company secretary of Janco Holdings Limited since April 2016.

Mr. Yau obtained a bachelor's degree of business administration in accountancy from City University of Hong Kong in November 2001. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2005.

### **Other disclosure pursuant to Rule 17.50(2) of the GEM Listing Rules**

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the date of this prospectus. Immediately following completion of the Capitalisation Issue and the Public Offer, save as the interests in the Shares which are disclosed in the section headed "Substantial Shareholders" in this prospectus, each of our Directors will not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 17.50(2)(h) to (v) of the GEM Listing Rules as at the Latest Practicable Date.

### **SENIOR MANAGEMENT**

**Mr. Cheng Kwok Kuen (鄭國權)**, aged 43, has been the project manager of our Group since February 2012. He is primarily responsible for overall project management.

Mr. Cheng has over 12 years of experience in the construction industry. Prior to joining our Group, Mr. Cheng worked as an assistant engineer in Wong Tung Hing Yip Construction Engineering Limited which he was responsible for handling all plumbing and drainage and minor civil works installation and

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

coordination, and a project officer in Tat Hing Construction Company Limited which he was responsible for supervising workers and managing projects. He joined Fulam Construction in March 2006 and was promoted to the current position of project manager in February 2012.

Mr. Cheng obtained a higher diploma in building services engineering in November 1998. In July 2010, he completed a 98-hour technically competent person T1 training course conducted by the Construction Industry Council. From June 2002 to September 2002, Mr. Cheng completed a prescribed programme at Occupational Safety and Health Council and was awarded a certificate for safety & health supervisor (construction). In May 2011, Mr. Cheng completed a training course on safety management regulation and code of practice conducted by the Labour Department.

**Ms. Mak Pui Chun (麥珮珍)**, aged 40, has been the project manager of our Group since August 2011. She is primarily responsible for overall project management.

Ms. Mak has over 12 years of experience in the construction industry. Between February 2004 and September 2005, she was employed by Multiway Consultants Limited as an architectural assistant and her responsibilities included, among other things, renovation projects preparation, coordination and management works. She then worked in PWL Surveyors Limited as a project manager from September 2005 to March 2007. From April 2007 to April 2009, she was employed by DTZ Debenham Tie Leung Project Services Limited as an assistant project manager. From April 2009 to July 2011, she joined the Hong Kong Housing Society as a senior officer (maintenance-building) and was promoted to assistant manager (maintenance-building).

Ms. Mak obtained a higher certificate in building studies from Hong Kong Technical Colleges in July 2000. She then obtained a bachelor's degree of science in building surveying from the University of Greenwich in the United Kingdom in September 2003.

**Mr. Chung Kiu Pan (鍾喬濱)**, aged 31, joined our Group in October 2016 and is our financial controller and company secretary. He is primarily responsible for financial reporting, financial planning, internal control and corporate secretarial practices and procedures of our Group.

Mr. Chung joined Deloitte Touche Tohmatsu, Hong Kong in September 2007 as an audit associate, and left the company as an audit manager in February 2014. He subsequently joined Pompei Limited in February 2014 as a finance manager where he was responsible for preparing the financial information and overseeing the company secretarial matters and its accounting and financial function.

Mr. Chung graduated with a bachelor of business administration majoring in professional accountancy in the Chinese University of Hong Kong in December 2007. He has been a member of the Hong Kong Institute of Certified Public Accountants since May 2011, and a certified public accountant (practising) of Hong Kong Institute of Certified Public Accountants since March 2014.

### COMPANY SECRETARY

Mr. Chung Kiu Pan is the company secretary of our Group. Please refer to the paragraphs headed "Senior management" in this section for his biography.

## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

### **AUTHORISED REPRESENTATIVES**

Mr. Leung and Mr. Chung Kiu Pan have been appointed as the authorised representatives of our Company under Rule 5.24 of the GEM Listing Rules.

### **COMPLIANCE OFFICER**

Mr. Leung has been appointed as the compliance officer of our Company on 15 November 2016. For his biographical information, please refer to the paragraphs headed “Executive Directors” above in this section.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Our Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, our Group will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and the associated GEM Listing Rules.

### **COMPLIANCE ADVISER**

Our Company has appointed Alliance Capital as the compliance adviser of our Company pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Group must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated by our Group, including share issues and share repurchases;
- (iii) where our Group proposes to use the proceeds of the Public Offer in a manner different from that detailed in this prospectus or where our Group’s business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which our Group complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year after the Listing, or until the agreement is terminated, whichever is the earlier.

# DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

## BOARD COMMITTEES

### Audit Committee

Our Company established the Audit Committee on 22 February 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditors; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. The Audit Committee currently consists of three members, namely Mr. Yau Sze Yeung, Mr. Leung Hung Kwong, Derrick and Mr. Moy Yee Wo, Matthew. The chairman of our Audit Committee is Mr. Yau Sze Yeung.

### Remuneration Committee

Our Company established the Remuneration Committee on 22 February 2017 with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The Remuneration Committee currently consists of three members, namely Mr. Leung Hung Kwong, Derrick, Mr. Moy Yee Wo, Matthew and Mr. Yau Sze Yeung. The chairman of the Remuneration Committee is Mr. Leng Hung Kwong Derrick.

### Nomination Committee

Our Company established the Nomination Committee on 22 February 2017 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee currently consists of three members, namely Mr. Moy Yee Wo, Matthew, Mr. Leung Hung Kwong, Derrick and Mr. Yau Sze Yeung. The chairman of the Nomination Committee is Mr. Moy Yee Wo, Matthew.

### Safety Compliance Committee

Our Company established the Safety Compliance Committee on 22 February 2017 with written terms of reference. The primary duties of the Safety Compliance Committee are to assist the Board in overseeing our compliance with laws and regulations relevant to health and safety as well as the adequacy and effectiveness of our safety plans. The Safety Compliance Committee currently consists of three members, being Mr. Leung Hung Kwong, Derrick, Mr. Leung and Mr. Ho. The chairman of the Safety Compliance Committee is Mr. Leung Hung Kwong Derrick.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of compensation paid by us for the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016 to our Directors was approximately HK\$1.6 million, HK\$2.4 million and HK\$1.2 million respectively.

Save as disclosed above, no other fees, salaries, housing allowances, discretionary bonuses, other allowances and benefits in kind and contributions to pension schemes were paid by our Group to our Directors during the Track Record Period. Our Directors had not waived any emoluments during the Track Record Period.

Mr. Leung and Mr. Ho of our Directors were our Group's five highest paid individuals for the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016 respectively. The emoluments paid by us to the five highest paid individuals of our Group excluding our Directors during the Track Record Period are as follows:

	<b>Year ended 31 March</b>		<b>Five months ended</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b>
			<i>HK\$'000</i>
Salaries and other benefits	1,439	1,831	612
Retirement benefits scheme contribution	53	54	22

During the Track Record Period, no remuneration has been paid to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

The expected annual Directors' fees and other emoluments to be paid by our Group for the financial year ending 31 March 2017 will be approximately HK\$2.9 million (excluding any discretionary bonus).

### REMUNERATION POLICY

The Director's fee for each of our Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of our Remuneration Committee. The remuneration package of each of our Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within our Group. Our Directors are entitled to statutory benefits as required by law from time to time such as pension.

Prior to the Listing, the remuneration policy of our Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company. Upon and after the Listing, the remuneration package of our Directors and the senior management will, in addition to the above factors, be linked to

## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

the return to the Shareholders. The Remuneration Committee will review annually the remuneration of all our Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

### **DIRECTORS' COMPETING INTERESTS**

None of our Directors and their respective close associates are interested in any business which competes or is likely to compete with that of our Group.

### **EMPLOYEES**

For details of the employees of our Group, including staff remuneration policy provided by our Group, please refer to the paragraphs headed "Business — Employees" in this prospectus.

## SHARE CAPITAL

### SHARE CAPITAL

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the Capitalisation Issue and the Public Offer, without taking into account any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme:

<b>Authorised share capital</b>		<i>HK\$</i>
2,000,000,000	Shares of par value HK\$0.01 each	20,000,000.00
 <b>Issued and to be issued, fully paid or credited as fully paid</b>		
44	Shares in issue immediately prior to the Public Offer	0.44
599,999,956	Shares to be issued under the Capitalisation Issue	5,999,999.56
<u>200,000,000</u>	Shares to be issued under the Public Offer	<u>2,000,000.00</u>
<u><u>800,000,000</u></u>	Total	<u><u>8,000,000.00</u></u>

### ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Public Offer become unconditional and the issue of Shares pursuant thereto are made as described herein. It takes no account of Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the total issued share capital of our Company in the hands of the public (as defined in GEM Listing Rules).

### RANKING

The Offer Shares will rank pari passu in all respects with all other Shares now in issue or to be issued as mentioned in this prospectus, and will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares in respect of a record date which falls after the date of this prospectus save for any entitlement under the Capitalisation Issue.

Except as disclosed in this prospectus, no share or loan capital of our Company or any of our subsidiaries is under any option or is agreed conditionally or unconditionally to be put under any option.

## SHARE CAPITAL

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 22 February 2017. The principal terms of the Share Option Scheme are summarised in the paragraphs headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus. As at the Latest Practicable Date, no option has been granted under the Share Option Scheme.

### CAPITALISATION ISSUE

Pursuant to the written resolutions of the Shareholders passed on 22 February 2017, subject to the share premium account of our Company being credited as a result of the issue Offer Shares pursuant to the Public Offer, our Directors were authorised to allot and issue a total of 599,999,956 Shares credited as fully paid at par to the holders of shares on the register of members of our Company at the close of business on 22 February 2017 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of Capitalisation of the sum of HK\$5,999,999.56 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the right to participate in the Capitalisation Issue).

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Public Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value of not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue as enlarged by the Capitalisation Issue and the Public Offer (without taking into account any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme) and the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Schemes or any other option scheme or similar arrangement for the time being adopted.

This mandate shall 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 to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

## **SHARE CAPITAL**

For further details of the general mandate for the allotment and issue of Shares, please refer to “Statutory and General Information — A. Further information about our Company — 3. Written resolutions of our Shareholders” in Appendix IV to this prospectus.

### **GENERAL MANDATE TO REPURCHASE SHARES**

Subject to the Public Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the Public Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme).

This mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in “Statutory and General Information — A. Further information about our Company — 6. Repurchase by our Company of its own securities” in Appendix IV to this prospectus.

This mandate shall 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 to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the repurchase of Shares, see “Statutory and General Information — A. Further information about our Company — 3. Written resolutions of our Shareholders” in Appendix IV to this prospectus.

### **SHAREHOLDERS’ GENERAL MEETING**

Please refer to Appendix III to this prospectus in respect of circumstances under which general meeting is required.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Public Offer (without taking into account the Shares which may be issued upon to the exercise of any options that may be granted under the Share Option Scheme), each of the following persons will have an interest or 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 are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of Interest	Number of Shares held immediately after completion of the Public Offer and the Capitalisation Issue	Approximate percentage of interests in our Company immediately after completion of the Public Offer and the Capitalisation Issue
Diamondfield (Note 1, 2)	Beneficial owner; interest held jointly with another person	533,000,000 Shares	66.6%
Mr. Ho (Note 1, 2)	Interest in a controlled corporation; interest held jointly with another person	533,000,000 Shares	66.6%
Sharp Talent (Note 1, 3)	Beneficial owner; interest held jointly with another person	533,000,000 Shares	66.6%
Mr. Leung (Note 1, 3)	Interest in a controlled corporation; interest held jointly with another person	533,000,000 Shares	66.6%

*Notes:*

- On 11 November 2016, our ultimate Controlling Shareholders, namely Mr. Leung and Mr. Ho, entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, amongst other things, that they are parties acting in concert in respect of each of the members of our Company during and since the Track Record Period and continue as at and after the date of the Concert Parties Confirmatory Deed, details of which are set out in the paragraphs headed “History, Reorganisation and Corporate Structure — parties acting in concert” of this prospectus. As such, pursuant to the parties acting in concert arrangement, each of our Controlling Shareholders, i.e. Diamondfield (being wholly owned by Mr. Ho), Mr. Ho, Sharp Talent (being wholly owned by Mr. Leung) and Mr. Leung, is deemed to be interested in 66.6% of the issued share capital of our Company.

## SUBSTANTIAL SHAREHOLDERS

2. Shares in which Mr. Ho is interested consist of (i) 169,590,000 Shares held by Diamondfield, a company wholly owned by Mr. Ho, in which Mr. Ho is deemed to be interested under the SFO; and (ii) 363,410,000 Shares in which Mr. Ho is deemed to be interested as a result of being a party acting-in-concert with Mr. Leung.
3. Shares in which Mr. Leung is interested consist of (i) 363,410,000 Shares held by Sharp Talent, a company wholly owned by Mr. Leung, in which Mr. Leung is deemed to be interested under the SFO; and (ii) 169,590,000 Shares in which Mr. Leung is deemed to be interested as a result of being a party acting-in-concert with Mr. Ho.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the Public Offer (without taking account of the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which fail 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, 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 member of our Group.

## FINANCIAL INFORMATION

*You should read this section in conjunction with our Group's audited combined financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. Our Group's combined financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("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 our Group in light of its 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 Group's expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section headed "Risk factors" in this prospectus.*

### OVERVIEW

Our Group is an established main contractor for the provision of RMAA and fitting-out works services in Hong Kong. We are responsible for the overall management, implementation and supervision of our projects. Our primary focus lies on project management, engineering design and preparation of technical submission, devising detailed work programmes, procurement of major construction materials, coordination with customers or their consultants and the environmental, safety and quality control of the works carried by the subcontractors. Our three main types of projects are (i) renovation and maintenance works; (ii) alteration and addition works and fitting-out works; and (iii) the mixture of (i) and (ii) above.

For the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, our Group recorded revenue of approximately HK\$163.4 million, HK\$279.7 million and HK\$95.2 million, respectively, with a profit and total comprehensive income of approximately HK\$7.8 million, HK\$15.0 million, and HK\$6.3 million, respectively. Our services are provided on a project-by-project and a non-recurring basis. Accordingly, we do not have any long-term commitments with our customers and therefore, our customers may vary from year to year.

As at the Latest Practicable Date, we have eight projects in progress with a total original contract sum of approximately HK\$708.1 million and out of which a total revenue of approximately HK\$85.7 million was recognised during the Track Record Period. For details of our Group's contracts on hand as at the Latest Practicable Date, please refer to the table under the paragraphs headed "Business — Our Projects — Projects in progress as at the Latest Practicable Date" in this prospectus.

## FINANCIAL INFORMATION

### BASIS OF PRESENTATION

Prior to the Reorganisation, Mr. Leung and Mr. Ho owned Fulam Construction which is an established main contractor in Hong Kong focusing on the provision of RMAA and fitting-out works services. To rationalise the corporate structure in preparation for the Listing on the GEM of the Stock Exchange, the Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 18 October 2016. Our Group then underwent the Reorganisation. Details of the Reorganisation are set out in the paragraphs headed “History, reorganisation and corporate structure — Reorganisation” in this prospectus.

The companies that took part in the Reorganisation were controlled by the same ultimate equity shareholders, Mr. Leung and Mr. Ho before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and business of our Group. The financial information relating to the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of our Group for the Track Record Period includes the results of operation and cash flows of the companies now comprising our Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period or since their respective dates of incorporation or establishment where this is a shorter period. The combined statements of the financial position of our Group as at 31 March 2015, 31 March 2016 and 31 August 2016 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence as at those dates, taking into account the respective dates of incorporation.

For the purpose of preparing and presenting the Financial Information for the Track Record Period, our Group has consistently adopted all new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards, amendments and interpretations issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are effective for annual accounting periods beginning on 1 April 2016 throughout the Track Record Period.

### FACTORS AFFECTING OUR GROUP’S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our Group’s results of operations and financial condition during the Track Record Period have been and will continue to be affected by a number of factors, including but not limited to those set forth in the section headed “Risk factors” in this prospectus and as set out below:

**We derive our revenue from projects of a non-recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we can secure new contracts**

Our services are provided on a project-by-project and non-recurring basis and we do not have any long term commitment with our customers. Thus, our number of customers may vary from year to year. Upon completion of these on-going contracts, in the event that our Group is unable to secure new contracts or has not commenced work for any of our new contracts, our revenue and financial performance may be adversely affected. Therefore, our future growth and success depends on, among other things, our ability to continue to secure tenders and contract awards and our ability to secure new customers. We cannot guarantee that our existing customers would continue providing us with new business opportunities beyond completion of current projects or would be able to seek for new customers. If our customers do not provide us with new businesses or if we are not able to seek for new

## **FINANCIAL INFORMATION**

customers, our future revenue and profit would be adversely affected. Any significant increase or decrease in the availability of new business may materially affect our Group's business volume and therefore the results of operations and financial condition.

### **Accuracy in the estimation of time and costs involved in projects when providing fee quotes**

In preparation of our tenders or quotations, our estimations are based on the available information provided to us by potential customers and taking into account our then prevailing level of available resources including our subcontractors, labour, construction materials, and the length and complexity of relevant projects. There is no assurance that the actual amount of time and costs would not exceed the estimation during the performance of the projects or there has any delay for the project due to various reasons. We may suffer losses if there is any underestimation or overrun, therefore our tenders or quotations may have inherent risks, such as the risk of losses from underestimated costs, liquidated damages for delayed completion, unforeseen difficulties in completing the projects or incidents that may cause increase in our any unexpected time or cost.

If we are unable to maintain our costs within our original estimations throughout the course of carrying out the contract; or if we are not able to fully cover any increases in costs such as those arising from overruns during the course of the project; or if the additional works undertaken by us are not covered in the variation orders provided in the contracts, our financial results would be adversely affected.

### **Performance and availability of the subcontractors**

Our Group may engage subcontractors to perform site works based on the nature of the works as our Group does not maintain substantial direct labours for performing site works. Notwithstanding the evaluation and selection of subcontractors, there is no guarantee that the quality of our subcontractors' works will always meet our required standards, and we may be forced to remedy the substandard subcontractors' works at additional costs, which will also cause delay to the completion of the project. The subcontracting arrangement also exposes us to the risks which are associated with non-performance, delayed performance or sub-standard performance of our subcontractors. Accordingly, the quality of our work may deteriorate or the completion of our construction projects may be delayed. We may be subject to liability under relevant service contracts with our customers due to the performance of our subcontractors. Furthermore, we cannot guarantee that the cost of engaging subcontractors will be stable. If we are unable to factor these potential fluctuations into our tenders or quotations and pass all or part of such additional costs to our customers, or reduce other costs, our financial performance and reputation may be materially and negatively affected.

## **CRITICAL ACCOUNTING POLICIES**

Our Group's financial information as set out in the Accountants' Report in Appendix I to this prospectus has been prepared in accordance with HKFRS, which is a collective term includes Hong Kong Accounting Standards and related interpretations issued by the HKICPA. Our Group's significant accounting policies are set forth in detail in the Accountants' Report in Appendix I to this prospectus, which conform with the HKFRSs.

## FINANCIAL INFORMATION

Below is a summary of certain significant accounting policies that our Group believes are important to the presentation of its financial results and positions. Our Group also has other accounting policies that our Group considers to be significant, the details of which are set forth in the Accountants' Report set out in Appendix I to this prospectus.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

Our Group's policy for recognition of revenue from contracts is described in the accounting policy for "building renovation and construction work" below.

### **Building renovation and construction work**

When the outcome of a building renovation and construction work can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on either the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, or the surveys of work performed to date relative to the estimated total contract revenue, to the extent that management would consider that be more representative of stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a building renovation and construction work cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the combined statements of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade and other receivables.

### **Property, plant and equipment**

Property, plant and equipment including leasehold land and building (classified as finance leases) held for use for administrative purposes are stated in the combined statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

## FINANCIAL INFORMATION

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Provisions**

Provisions are recognised when our Group has a present obligation (legal or constructive) as a result of a past event, it is probably that our Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### **Financial assets**

During the Track Record Period, financial assets of our Group mainly represented trade and other receivables, amounts due from directors, pledged bank deposits and bank balances and cash. Our Group did not recognise any impairment loss on financial assets during the Track Record Period. Please see note 3 to the Accountants' Report for our accounting policies relating to classification, recognition, measurement, derecognition and impairment of financial assets.

### **Financial liabilities**

Our Group's financial liabilities during the Track Record Period mainly included trade and other payables, bank overdrafts, and bank borrowings. Please see note 3 to the Accountants' Report for our accounting policies relating to classification, recognition, measurement, derecognition and impairment of financial assets.

## FINANCIAL INFORMATION

### KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty that our Group uses in applying its accounting policies are set out in the note 4 to the Accountants' Report set out in Appendix I to this prospectus. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### **Estimated outcome of building renovation and construction works**

Our Group recognises the contract revenue and cost of a building renovation and construction work according to the management's estimation of the progress and outcome of the project. Estimated revenue is determined in accordance with the terms set out in the relevant contracts or, in case of variation orders, based on contract terms or other forms of agreements. Estimated contract cost, which mainly comprises direct labour cost, subcontracting charges and costs of materials, is variable and estimated by the management on the basis of estimated cost of direct labour, subcontracting charges and costs of materials from time to time based on quotations provided by the major subcontractors/suppliers/vendors involved and the experience of the management.

Notwithstanding that management frequently reviews and revises the estimates of both estimated revenue and costs for the building renovation and construction work as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

#### **Estimated impairment of trade and retention receivables**

Our management estimates the recoverability of trade and retention receivables at the end of each reporting period. When there is objective evidence of impairment loss, our Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate compounded at initial recognition). Where the actual future cash flows are less than expected, an impairment loss may arise.

As at 31 March 2015, 31 March 2016 and 31 August 2016, the carrying amounts of trade and retention receivables of our Group were approximately HK\$59.6 million, HK\$48.7 million and HK\$54.5 million respectively. No retention receivables were billed but not received as at 31 March 2015, 31 March 2016 and 31 August 2016.

## FINANCIAL INFORMATION

### COMBINED STATEMENTS OF COMPREHENSIVE INCOME

The table below sets out our Group's combined statements of comprehensive income during the Track Record Period, which was derived from the Accountants' Report as set out in Appendix I to this prospectus:

	For the year ended 31 March		For the five months ended 31 August	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Revenue	163,447	279,674	167,638	95,195
Cost of sales	<u>(146,009)</u>	<u>(249,441)</u>	<u>(153,968)</u>	<u>(82,555)</u>
Gross profit	17,438	30,233	13,670	12,640
Bank interest income	1	2	1	1
Administrative expenses	(6,632)	(10,279)	(3,409)	(4,347)
Finance costs	<u>(1,467)</u>	<u>(1,947)</u>	<u>(848)</u>	<u>(693)</u>
Profit before taxation	9,340	18,009	9,414	7,601
Income tax expense	<u>(1,563)</u>	<u>(3,012)</u>	<u>(1,554)</u>	<u>(1,255)</u>
Profit and total comprehensive income for the year/period	<u><u>7,777</u></u>	<u><u>14,997</u></u>	<u><u>7,860</u></u>	<u><u>6,346</u></u>

### DESCRIPTION OF SELECTED ITEMS FROM COMBINED STATEMENTS OF COMPREHENSIVE INCOME

#### Revenue

Our Group's revenue represents the amount received and receivable for revenue arising on the provision of RMAA and fitting-out works service during the Track Record Period. As our services are provided on a project-by-project and a non-recurring basis, our revenue fluctuated during the Track Record Period, subject to various factors, including but not limited to the size, nature and complexity of the projects and the percentage of completion of our works for a period.

The revenue of our Group was approximately HK\$163.4 million, HK\$279.7 million HK\$95.2 million for the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, respectively. Our services can generally be categorised into (i) renovation and maintenance works; (ii) alteration and addition works and fitting-out works; and (iii) the mixture of (i) and (ii) above.

## FINANCIAL INFORMATION

The following table sets out a breakdown of our Group's revenue by the types of services during the Track Record Period:

	For the year ended 31 March				For the five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Renovation and maintenance works	70,239	43.0	62,168	22.2	34,598	20.6	22,600	23.7
Alteration and addition works and fitting-out works	39,927	24.4	137,589	49.2	116,770	69.7	12,063	12.7
Mixed <sup>(note)</sup>	53,281	32.6	79,917	28.6	16,270	9.7	60,532	63.6
	<u>163,447</u>	<u>100.0</u>	<u>279,674</u>	<u>100.0</u>	<u>167,638</u>	<u>100.0</u>	<u>95,195</u>	<u>100.0</u>

*Note:* "Mixed" denotes the mixture of both (i) renovation and maintenance works and (ii) alteration and addition works and fitting-out works is provided in a project.

The following table sets forth the revenue generated from different types of development during the Track Record Period:

	For the year ended 31 March				For the five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Residential development	38,533	23.6	95,648	34.2	21,873	13.0	63,797	67.0
Commercial and industrial development	76,878	47.0	51,378	18.4	30,578	18.3	25,917	27.2
Institutional and charitable development <sup>(note)</sup>	48,036	29.4	132,648	47.4	115,187	68.7	5,481	5.8
Total	<u>163,447</u>	<u>100.0</u>	<u>279,674</u>	<u>100.0</u>	<u>167,638</u>	<u>100.0</u>	<u>95,195</u>	<u>100.0</u>

*Note:* Institutional and charitable development includes a building of charitable organisation, an elderly centre, a rehabilitation centre and a private hospital.

## FINANCIAL INFORMATION

The following table sets forth the revenue generated from projects with different range of contract sum during the Track Record Period:

	For the year ended 31 March				For the five months ended 31 August			
	2015		2016		2015		2016	
	<i>Number of projects</i>		<i>Number of projects</i>		<i>Number of projects</i>		<i>Number of projects</i>	
	<i>HK\$'000</i>	<i>(note)</i>	<i>HK\$'000</i>	<i>(note)</i>	<i>HK\$'000</i>	<i>(note)</i>	<i>HK\$'000</i>	<i>(note)</i>
HK\$100 million or above	20,366	1	166,693	4	115,125	1	45,497	3
HK\$50 million to below HK\$100 million	74,896	4	35,309	3	22,209	2	4,269	1
HK\$10 million to below HK\$50 million	32,935	8	58,474	10	22,541	5	32,272	6
Below HK\$10 million	35,250	19	19,198	12	7,763	4	13,157	8
	<u>163,447</u>	<u>32</u>	<u>279,674</u>	<u>29</u>	<u>167,638</u>	<u>12</u>	<u>95,195</u>	<u>18</u>

*Note:* this refers to the number of projects with revenue contribution during the corresponding years/period.

### Cost of sales

	For the year ended 31 March				For the five months ended 31 August			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Subcontracting charges	121,932	83.5	209,967	84.2	133,139	86.5	72,721	88
Construction material costs	9,075	6.2	21,748	8.7	14,279	9.3	4,883	5.9
Project staff costs	4,952	3.4	5,880	2.4	2,390	1.6	2,192	2.7
Other costs	10,050	6.9	11,846	4.7	4,160	2.6	2,759	3.4
	<u>146,009</u>	<u>100.0</u>	<u>249,441</u>	<u>100.0</u>	<u>153,968</u>	<u>100.0</u>	<u>82,555</u>	<u>100.0</u>

Cost of sales primarily comprises:

- (i) Subcontracting charges represent the fees paid and payable to subcontractors who provide site works for the completion of the contracting projects, which is the key component of our direct costs. Please refer to paragraphs headed “Business — Suppliers — Our five largest suppliers during the Track Record Period” in this prospectus for further details on subcontracting charges.

## FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's subcontracting charges on our Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% with reference to the CAGR of approximately 6.6% of the average yearly wage of workers in the RMAA market from 2010 to 2015 according to the F&S Report, which are considered reasonable for the purpose of this sensitivity analysis:

**Hypothetical fluctuations in subcontracting charges**

	<b>+5%</b>	<b>+10%</b>	<b>-5%</b>	<b>-10%</b>
<b>Change in profit before tax</b>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2015	(6,097)	(12,193)	6,097	12,193
Year ended 31 March 2016	(10,498)	(20,997)	10,498	20,997
Five months ended 31 August 2015	(6,657)	(13,314)	6,657	13,314
Five months ended 31 August 2016	(3,636)	(7,272)	3,636	7,272
<b>Change in profit after tax</b>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2015	(5,091)	(10,181)	5,091	10,181
Year ended 31 March 2016	(8,766)	(17,532)	8,766	17,532
Five months ended 31 August 2015	(5,559)	(11,117)	5,559	11,117
Five months ended 31 August 2016	(3,036)	(6,072)	3,036	6,072

- (ii) Construction material costs mainly represented direct costs for the purchase of certain materials such as concrete, tiles and paints. In general, we will require our subcontractors to procure construction material for the subcontracted works. Upon request of our subcontractors and based upon our Directors' evaluation, when it is generally easier to bargain for a lower purchase price, which would lead to lower overall project costs, we would procure the construction materials on behalf of our subcontractors.
- (iii) Project staff costs represent compensation and benefits provided to our project managers and direct workers who are directly involved in the provision of our services.
- (iv) Others mainly include project insurance cost, settlement amounts with insurance company for the claim from our subcontractor's employee, provision of levy, expense for site supervision and security, etc.

## FINANCIAL INFORMATION

### Gross profit and gross profit margin

The table below sets forth a breakdown of the gross profit and gross profit margin during the Track Record Period by business segment:

	For the year ended 31 March				For the five months ended 31 August			
	2015		2016		2015		2016	
	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin	margin	margin	margin	margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Renovation and maintenance works	6,112	8.7	6,812	11.0	4,420	12.8	2,411	10.7
Alteration and addition works and fitting- out works	3,793	9.5	13,492	9.8	7,354	6.3	1,709	14.2
Mixed <sup>(Note)</sup>	<u>7,533</u>	14.1	<u>9,929</u>	12.4	<u>1,896</u>	11.7	<u>8,520</u>	14.1
	<u>17,438</u>	<u>10.7</u>	<u>30,233</u>	<u>10.8</u>	<u>13,670</u>	<u>8.2</u>	<u>12,640</u>	<u>13.3</u>

*Note:* “Mixed” denotes the mixture of both (i) renovation and maintenance works and (ii) alteration and addition works and fitting-out works is provided in a project.

During the Track Record Period, we generally adopt a cost estimate plus mark-up pricing model for pricing our projects. We would assess the profitability prospects of projects based on various factors including but not limited to the potential costs structure, payment terms and completion schedule. Generally, our Group was able to achieve a higher gross profit margin from projects with mixed works, or alteration and addition works and fitting-out works, than projects with only renovation and maintenance works. This is due to the nature of alteration and addition works and fitting-out works requiring more complex construction methods, and the preparation of technical submissions in accordance with the Buildings Ordinance.

## FINANCIAL INFORMATION

### Administrative expenses

The table below sets forth a breakdown of our Group's administrative and other operating expenses by nature during the Track Record Period:

	For the year ended 31 March				For the five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Auditors' remuneration	52	0.8	320	3.1	133	3.9	133	3.1
Bank charges	41	0.6	248	2.4	116	3.4	419	9.6
Depreciation	296	4.5	471	4.6	82	2.4	313	7.2
Sales and marketing	738	11.1	1,548	15.1	539	15.8	476	11.0
Insurance	66	1.0	84	0.8	35	1.0	27	0.6
Legal and professional expenses	259	3.9	189	1.8	58	1.7	45	1.0
Office expenses	179	2.7	387	3.8	170	5.0	189	4.3
Rentals and related expenses	292	4.4	171	1.7	121	3.5	20	0.5
Staff costs, including directors' emoluments	3,367	50.8	4,934	48.0	1,403	41.2	2,176	50.1
Travelling and transportation	956	14.4	1,268	12.3	578	17.0	222	5.1
Others	386	5.8	659	6.4	174	5.1	327	7.5
	<u>6,632</u>	<u>100.0</u>	<u>10,279</u>	<u>100.0</u>	<u>3,409</u>	<u>100.0</u>	<u>4,347</u>	<u>100.0</u>

The administrative expenses primarily comprise:

- (i) auditors' remuneration, which are fees accruing to auditors;
- (ii) depreciation, which is the depreciation of our Group's leasehold land and building, leasehold improvements, furniture and equipment, and motor vehicle;
- (iii) sales and marketing expenses, which mainly include costs incurred to maintain relationships with our Group's existing and potential customers and suppliers;
- (iv) legal and professional fee, which mainly includes fees paid for legal services, accounting services and tax filing service obtained by our Group;
- (v) rentals and related expenses, which mainly include rental expenses for our Group's rented premises;
- (vi) staff costs (including directors' emoluments), which represents salaries, bonus and benefits provided to the Directors and administrative staff;
- (vii) travelling and transportation expenses, which represents expenses for travelling incurred by the staff; and

## FINANCIAL INFORMATION

(viii) others, which mainly include office administration costs incurred for daily operation and other sundry expenses.

### Finance costs

Our Group's finance cost during the Track Record Period is as below:

	<b>For the year ended 31 March</b>		<b>For the five months ended 31 August</b>	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Interests on:				
Factoring of trade receivables	283	784	265	198
Bank borrowings	1,039	1,069	543	486
Bank overdrafts	130	87	36	4
Obligations under finance leases	<u>15</u>	<u>7</u>	<u>4</u>	<u>5</u>
	<u>1,467</u>	<u>1,947</u>	<u>848</u>	<u>693</u>

Please refer to the paragraphs headed “Indebtedness — Bank borrowings” in this section for the further details in relation to the borrowings and the corresponding interest rate.

### Income tax expense

Our Group recorded income tax expense of approximately HK\$1.6 million, HK\$3.0 million and HK\$1.3 million, for the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016 respectively, representing an effective tax rate of approximately 16.7%, 16.7% and 16.5% for the corresponding years/period. Our Group's effective tax rate remained stable during the Track Record Period.

## COMPARISON OF RESULTS OF OPERATIONS

### Year ended 31 March 2016 compared to year ended 31 March 2015

#### *Revenue*

Our revenue increased from approximately HK\$163.4 million for the year ended 31 March 2015 to approximately HK\$279.7 million for the year ended 31 March 2016. Such increase was mainly due to the execution of a project for a charitable development in Sha Tin Racecourse with an original contract sum of approximately HK\$167.1 million which contributed revenue of approximately HK\$132.4 million for the year ended 31 March 2016.

## FINANCIAL INFORMATION

### *Renovation and maintenance works*

For the year ended 31 March 2015 and 31 March 2016, the revenue from renovation and maintenance works amounted to approximately HK\$70.2 million and HK\$62.2 million, respectively, representing approximately 43.0% and 22.2% of the total revenue for the corresponding years.

The revenue from renovation and maintenance works decreased from approximately HK\$70.2 million for the year ended 31 March 2015 to approximately HK\$62.2 million for the year ended 31 March 2016. This was due to a substantial portion of works from a project for an industrial development on Cheung Fai Road, Tsing Yi with an original contract sum of approximately HK\$88.7 million, being carried out in the year ended 31 March 2015, contributing revenue of approximately HK\$51.1 million and HK\$35.3 million for the year ended 31 March 2015 and 31 March 2016, respectively.

### *Alteration and addition works and fitting out works*

The revenue from alteration and addition works and fitting out works representing approximately 24.4% and 49.2% of the total revenue for the year ended 31 March 2015 and 31 March 2016, respectively.

Our Group recorded growth in revenue from alteration and addition works and fitting out works from approximately HK\$39.9 million for the year ended 31 March 2015 to approximately HK\$137.6 million for the year ended 31 March 2016, representing an increase of approximately HK\$97.7 million, or approximately 244.9%. The growth was primarily attributable to the execution of a project for a charitable development in Sha Tin Racecourse with an original contract sum of approximately HK\$167.1 million which contributed revenue of approximately HK\$132.4 million for the year ended 31 March 2016.

### *Mixed*

Certain projects involve both renovation and maintenance work and alteration and addition works and fitting out works. The revenue from mixed work represented approximately 32.6% and 28.6% of the total revenue for the year ended 31 March 2015 and 31 March 2016, respectively.

Revenue from mixed work recorded growth from approximately HK\$53.3 million for the year ended 31 March 2015 to approximately HK\$79.9 million for the year ended 31 March 2016, representing an increase of approximately HK\$26.6 million, or approximately 49.9%. The growth was primarily attributable to the commencement of a project for a residential development on South Bay Road, Repulse Bay with an original contract sum of approximately HK\$132.8 million in October 2015, which contributed revenue of approximately HK\$30.5 million for the year ended 31 March 2016.

### *Cost of sales*

The cost of sales increased by approximately 70.8% from approximately HK\$146.0 million for the year ended 31 March 2015 to approximately HK\$249.4 million for the year ended 31 March 2016. The increase in our cost of sales was generally in line with the growth of our revenue from approximately HK\$163.4 million for the year ended 31 March 2015 to approximately HK\$279.7 million, or 71.2% for the year ended 31 March 2016.

## FINANCIAL INFORMATION

Our subcontracting charges increased from approximately HK\$121.9 million for the year ended 31 March 2015 to approximately HK\$210.0 million for the year ended 31 March 2016, representing an increase of approximately HK\$88.1 million or approximately 72.3%. The increase in our subcontracting charges was generally in line with the growth of our revenue of approximately 71.2% for the year ended 31 March 2016.

Our construction material costs increased from approximately HK\$9.1 million for the year ended 31 March 2015 to approximately HK\$21.7 million for the year ended 31 March 2016, representing an increase of approximately HK\$12.6 million or approximately 138.5%. In general, we require our subcontractors to procure construction material for the subcontracted works. Upon request of our subcontractors and based upon our Directors' evaluation, when it is generally easier to bargain for a lower purchase price, which would lead to lower overall project costs, we would procure the construction materials on behalf of our subcontractors. The significant increase in construction material costs for the year ended 31 March 2016 was because of more subcontractors' requests on our Group to procure the materials on behalf of them.

Our project staff cost increased from approximately HK\$5.0 million for the year ended 31 March 2015 to approximately HK\$5.9 million for the year ended 31 March 2016, representing an increase of approximately HK\$0.9 million or approximately 18.0%. The increase was generally due to the salary adjustment and increment in head count during the year ended 31 March 2016.

### ***Gross profit and gross profit margin***

For the year ended 31 March 2015 and 31 March 2016, the overall gross profit margin remained relatively stable at approximately 10.7% and 10.8%, respectively.

### ***Renovation and maintenance works***

The gross profit of our renovation and maintenance works increased from approximately HK\$6.1 million for the year ended 31 March 2015 to approximately HK\$6.8 million for the year ended 31 March 2016, while the corresponding gross profit margin increased from 8.7% for the year ended 31 March 2015 to 11.0% for the year ended 31 March 2016. The increase in both gross profit and gross profit margin was mainly due to the execution of a project for a commercial development on Salisbury Road, Tsim Sha Tsui with an original contract sum of approximately HK\$9.5 million with a relatively higher gross profit margin. Furthermore, the abovementioned project also led to the higher gross profit margin of the overall renovation and maintenance works of approximately 11.0% than that of overall alteration and addition works and fitting out works of approximately 9.8% for the year ended 31 March 2016.

### ***Alteration and addition works and fitting out works***

For the year ended 31 March 2015 and 31 March 2016, the gross profit from alteration and addition works and fitting out works was approximately HK\$3.8 million and HK\$13.5 million, respectively.

The gross profit increased significantly from approximately HK\$3.8 million for the year ended 31 March 2015 to approximately HK\$13.5 million for the year ended 31 March 2016 due to the contribution of revenue of approximately HK\$132.4 million from a project for a charitable development in Sha Tin Racecourse for the year ended 31 March 2016.

## FINANCIAL INFORMATION

Our gross profit margin remained stable at approximately 9.5% and 9.8% for the year ended 31 March 2015 and 31 March 2016, respectively.

### *Mixed*

For the year ended 31 March 2015 and 31 March 2016, the gross profit from mixed work was approximately HK\$7.5 million and HK\$9.9 million, respectively. The increase in the gross profit from mixed work was generally in line with the growth of the revenue during the years.

The gross profit margin of mixed work slightly decreased from approximately 14.1% for the year ended 31 March 2015 to approximately 12.4% for the year ended 31 March 2016, mainly due to the relatively higher gross profit margin of a project for the Hong Kong Baptist Hospital with the original contract sum of approximately HK\$54.7 million which contributed revenue of approximately HK\$22.5 million for the year ended 31 March 2015.

### *Administrative expenses*

The administrative expenses of our Group increased from approximately HK\$6.6 million for the year ended 31 March 2015 to approximately HK\$10.3 million for the year ended 31 March 2016, representing an increase of approximately HK\$3.7 million or approximately 56.1%.

Such increase was mainly due to the increase in (i) staff cost of approximately HK\$1.6 million, and (ii) sales and marketing expenses of approximately HK\$0.8 million.

Our increase in staff cost was mainly due to the increase in Directors' remuneration from approximately HK\$1.6 million for the year ended 31 March 2015 to approximately HK\$2.4 million for the year ended 31 March 2016.

Our sales and marketing expense increased from approximately HK\$0.7 million for the year ended 31 March 2015 to approximately HK\$1.5 million for the year ended 31 March 2016 mainly because more expenses were incurred for maintaining the business relationships with our customers and suppliers. We believe our increase in value of new contracts from approximately HK\$252.9 million for the year ended 31 March 2015 to approximately HK\$696.7 million for the year ended 31 March 2016 was a result of such sales and marketing effort of our management team.

### *Finance costs*

The finance costs increased from approximately HK\$1.5 million for the year ended 31 March 2015 to approximately HK\$1.9 million for the year ended 31 March 2016, representing an increase of approximately HK\$0.4 million or approximately 26.7%. The increase in finance costs was mainly attributable to the increase in interest on factoring of trade receivables from approximately HK\$0.3 million for the year ended 31 March 2015 to approximately HK\$0.8 million for the year ended 31 March 2016.

## FINANCIAL INFORMATION

### *Profit before tax*

As a result of the abovementioned items, profit before tax increased by approximately 93.5% from approximately HK\$9.3 million for the year ended 31 March 2015 to approximately HK\$18.0 million for the year ended 31 March 2016.

### *Income tax expense*

Our Group's income tax expense increased by approximately 87.5% from approximately HK\$1.6 million for the year ended 31 March 2015 to approximately HK\$3.0 million for the year ended 31 March 2016. The increase was mainly attributable to the increase in profit before tax from approximately HK\$9.3 million for the year ended 31 March 2015 to approximately HK\$18.0 million for the year ended 31 March 2016.

### *Profit and total comprehensive income for the year*

Our Group's profit for the year increased by approximately 92.3% from approximately HK\$7.8 million for the year ended 31 March 2015 to approximately HK\$15.0 million for the year ended 31 March 2016, which was mainly due to the combined effect of abovementioned items.

### **Five months ended 31 August 2016 compared to five months ended 31 August 2015**

#### *Revenue*

Our revenue decreased from approximately HK\$167.6 million for the five months ended 31 August 2015 to approximately HK\$95.2 million for the five months ended 31 August 2016. Such decrease was mainly due to the completion of substantial portion of works of a project for a charitable development in Sha Tin Racecourse during the five months ended 31 August 2015.

#### *Renovation and maintenance works*

For the five months ended 31 August 2015 and 31 August 2016, the revenue from renovation and maintenance works amounted to approximately HK\$34.6 million and HK\$22.6 million, respectively, representing approximately 20.6% and 23.7% of the total revenue for the corresponding periods.

Such decrease was due to the completion of an industrial development on Cheung Fai Road, Tsing Yi with an original contract sum of approximately HK\$88.7 million, which was completed in September 2015. Substantial portion of revenue from this project was recognised during the year ended 31 March 2015 and 31 March 2016, with only approximately HK\$4.3 million was recognised during the five months ended 31 August 2016.

#### *Alteration and addition works and fitting out works*

Our revenue from alteration and addition works and fitting out works represented approximately 69.7% and 12.7% of the total revenue for the five months ended 31 August 2015 and 31 August 2016, respectively.

## FINANCIAL INFORMATION

Our revenue from alteration and addition works and fitting out works decreased from approximately HK\$116.8 million for the five months ended 31 August 2015 to approximately HK\$12.1 million for the five months ended 31 August 2016, mainly because a large extent of works of a project for a charitable development in Sha Tin Racecourse was completed during the five months ended 31 August 2015. The abovementioned project with the original contract sum of approximately HK\$167.1 million contributed revenue of approximately HK\$5.4 million for the five months ended 31 August 2016.

### *Mixed*

Our revenue from mixed works represented approximately 9.7% and 63.6% of the total revenue for the five months ended 31 August 2015 and 31 August 2016, respectively.

Our revenue from mixed works increased from approximately HK\$16.3 million for the five months ended 31 August 2015 to approximately HK\$60.5 million for the five months ended 31 August 2016, which was driven by the revenue of (i) approximately HK\$23.9 million contributed by a project for a residential development on South Bay Road, Repulse Bay with the original contract sum of approximately HK\$132.8 million and (ii) approximately HK\$16.8 million contributed by a project for a residential development on Sui Wo Road, Sha Tin with an original contract sum of approximately HK\$27.2 million for the five months ended 31 August 2016.

### *Cost of sales*

The cost of sales decreased by approximately 46.4% from approximately HK\$154.0 million for the five months ended 31 August 2015 to approximately HK\$82.6 million for the five months ended 31 August 2016. The decrease in our cost of sales was generally in line with the decrease of our revenue for the five months ended 31 August 2016 comparing with the corresponding period.

Our subcontracting charges decreased from approximately HK\$133.1 million for the five months ended 31 August 2015 to approximately HK\$72.7 million for five months ended 31 August 2016, representing a decrease of approximately HK\$60.4 million or approximately 45.4%. The decrease in our subcontracting charges was generally in line with the decrease in our revenue of approximately 43.2% for the five months ended 31 August 2016 comparing with the corresponding period.

Our construction material costs decreased from approximately HK\$14.3 million for five months ended 31 August 2015 to approximately HK\$4.9 million for the five months ended 31 August 2016, representing a decrease of approximately HK\$9.4 million or approximately 65.7%. In general, we require our subcontractors to procure construction material for the subcontracted works. Upon request of our subcontractors and based upon our Directors' evaluation, when it is generally easier to bargain for a lower purchase price, which would lead to lower overall project costs, we would procure the construction materials on behalf of our subcontractors. The significant decrease in construction material costs for the five months ended 31 August 2016 was mainly due to the completion of a project for a charitable development in Sha Tin Racecourse, for which our Group procured the materials.

Our project staff cost decreased from approximately HK\$2.4 million for the five months ended 31 August 2015 to approximately HK\$2.2 million for five months ended 31 August 2016, representing a decrease of approximately HK\$0.2 million or approximately 8.3%. The decrease in our project staff costs was mainly due to the one-off bonus paid out for the five months ended 31 August 2015.

## FINANCIAL INFORMATION

### *Gross profit and gross profit margin*

For the five months ended 31 August 2015, the gross profit decreased slightly from approximately HK\$13.7 million to approximately HK\$12.6 million, while the overall gross profit margin increased from 8.2% for the five months ended 31 August 2015 to 13.3% for the five months ended 31 August 2016.

### *Renovation and maintenance works*

For the five months ended 31 August 2015 and 31 August 2016, the gross profit from renovation and maintenance works were approximately HK\$4.4 million and HK\$2.4 million, respectively, represented gross profit margin of approximately 12.8% and 10.7% for the corresponding periods.

Due to the execution of a commercial development project on Salisbury Road, Tsim Sha Tsui, with an original contract sum of approximately HK\$9.5 million and a relatively higher gross profit margin, our Group recorded a higher gross profit and gross profit margin, for the five months ended 31 August 2015, as compared with those for the five months ended 31 August 2016.

### *Alteration and addition works and fitting out works*

For the five months ended 31 August 2015 and 31 August 2016, the gross profit from alteration and addition works and fitting out works was approximately HK\$7.4 million and HK\$1.7 million, respectively, represented gross profit margin of approximately 6.3% and 14.2% for the corresponding periods.

The gross profit decreased significantly from approximately HK\$7.4 million for the five months ended 31 August 2015 to approximately HK\$1.7 million for the five months ended 31 August 2016, due to the decrease in revenue of a project for a charitable development in Sha Tin Racecourse as discussed in above. The gross profit margin for the five months ended 31 August 2015 was comparatively lower than that of the five months ended 31 August 2016 because more work done for the abovementioned project during the five months ended 31 August 2015 was performed by the nominated subcontractors which involved mainly combined building services installation. Specifically for that part of work, we only acted as a supervisory role and therefore charged a lower markup.

### *Mixed*

The gross profit from mixed work increased from approximately HK\$1.9 million for the five months ended 31 August 2015 to HK\$8.5 million for the five months ended 31 August 2016, while the gross profit margin also increased from approximately 11.7% for the five months ended 31 August 2015 to 14.1% for the five months ended 31 August 2016.

Both the gross profit and gross profit margin of mixed work increased from the five months ended 31 August 2015 to the five months ended 31 August 2016. It was mainly because less resources were allocated to the mixed works for the five months ended 31 August 2015 as our Group was focusing on the execution of the aforementioned project for a charitable development in Sha Tin Racecourse during that period. For the five months ended 31 August 2016, more mixed works projects were executed, such as a project for a residential development on South Bay Road, Repulse Bay with an original contract

## FINANCIAL INFORMATION

sum of approximately HK\$132.8 million which contributed revenue of approximately HK\$23.9 million and a project for a residential development on Sui Wo Road, Sha Tin with an original contract sum of approximately HK\$27.2 million which contributed revenue of approximately HK\$16.8 million.

### *Administrative expenses*

The administrative expenses of our Group increased from approximately HK\$3.4 million for the five months ended 31 August 2015 to approximately HK\$4.3 million for the five months ended 31 August 2016, represented an increase of approximately HK\$0.9 million or approximately 26.5%.

Such increase was primarily due to the increase in staff cost from approximately HK\$1.4 million for the five months ended 31 August 2015 to approximately HK\$2.2 million for the five months ended 31 August 2016 as a result of salary increment and increment in headcount.

### *Finance costs*

The finance costs decreased from approximately HK\$0.8 million for the five months ended 31 August 2015 to approximately HK\$0.7 million for the five months ended 31 August 2016, represented a decrease of approximately HK\$0.1 million or approximately 12.5%. Such decrease was mainly attributable to the decrease in interest on factoring of trade receivable from approximately HK\$0.3 million for the five months ended 31 August 2015 to approximately HK\$0.2 million for the five months ended 31 August 2016.

### *Profit before tax*

As a result of the abovementioned items, profit before tax decreased by approximately 19.1% from approximately HK\$9.4 million for the five months ended 31 August 2015 to approximately HK\$7.6 million for the five months ended 31 August 2016.

### *Income tax expense*

Our Group's income tax expense decreased by approximately 18.8% from approximately HK\$1.6 million for the five months ended 31 August 2015 to approximately HK\$1.3 million for the five months ended 31 August 2016. The decrease was mainly attributable to the decrease in profit before tax from approximately HK\$9.4 million for the five months ended 31 August 2015 to approximately HK\$7.6 million for the five months ended 31 August 2016.

### *Profit and total comprehensive income for the period*

Our Group's profit and total comprehensive income decreased by approximately 20.3% from approximately HK\$7.9 million for the five months ended 31 August 2015 to approximately HK\$6.3 million for the five months ended 31 August 2016, which was mainly due to the combined effect of abovementioned items.

## FINANCIAL INFORMATION

### LIQUIDITY AND CAPITAL RESOURCES

#### Overview

During the Track Record Period, our Group's operations were generally financed through a combination of cash generated from our operation, shareholder's equity, and banking facilities. We expected these financial resources will remain as our core sources of liquidity, while the net proceeds from the Public Offer is expected to enhance our liquidity and provide the capital for our business expansion. Our Directors believe that in the long term, our Group's working capital and other liquidity requirements will be funded by, including but not limited to cash generated from our operation, banking facilities, and, if necessary, other external equity and debt financing.

#### Cash flows

The following table sets forth selected cash flows data from our Group's combined statements of cash flows for the years/periods indicated:

	<b>For the year ended</b>		<b>For the five months</b>	
	<b>31 March</b>		<b>ended 31 August</b>	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)			
Operating cash flows before movements in working capital	11,102	20,425	10,343	8,606
Net cash from (used in) operating activities	5,161	2,957	(7,707)	2,562
Net cash used in investing activities	(4,480)	(14,234)	(3,374)	(4,492)
Net cash (used in) from financing activities	<u>(425)</u>	<u>19,481</u>	<u>21,823</u>	<u>9,985</u>
Net increase in cash and cash equivalents	256	8,204	10,742	8,055
Cash and cash equivalent at beginning of the year/period	<u>(2,651)</u>	<u>(2,395)</u>	<u>(2,395)</u>	<u>5,809</u>
Cash and cash equivalent at end of the year/period	<u><u>(2,395)</u></u> <sup>(Note)</sup>	<u><u>5,809</u></u>	<u><u>8,347</u></u>	<u><u>13,864</u></u>

*Note:* For the year ended 31 March 2015, we recorded the negative cash and cash equivalent amounting to approximately HK\$2.4 million which was attributable to the bank overdrafts of approximately HK\$3.0 million. Our Group has obtained banking facilities from our principal banks in packages, which include revolving loan, instalment loan, revolving trade financing and bank overdrafts. Depending on our Group's financing method and the drawdown requirements of different types of banking facilities, our Group may, at its discretion, utilise different types of facilities obtained. The utilisation of the bank overdrafts facility by our Group was mainly due to the flexibility of utilising bank overdrafts with no specific drawdown procedure or requirement. Please refer to the paragraphs headed "Indebtedness — Banking facilities" in this section for the further details.

## FINANCIAL INFORMATION

### *Net cash flows generated from operating activities*

For the year ended 31 March 2015, our Group recorded net cash from operating activities of approximately HK\$5.2 million, primarily as a result of operating cash flows before movements in working capital of approximately HK\$11.1 million and an increase in trade and other payables of approximately HK\$17.4 million which were partly offset by an increase in trade and other receivables of approximately HK\$20.0 million, an increase in amounts due from customers for contract work of approximately HK\$3.4 million and income tax paid of approximately HK\$16,000.

For the year ended 31 March 2016, our Group recorded net cash from operating activities of approximately HK\$3.0 million, primarily as a result of operating cash flows before movements in working capital of approximately HK\$20.4 million and a decrease in trade and other receivables of approximately HK\$3.3 million, which were partly offset by an increase in amounts due from customers for contract work of approximately HK\$7.5 million, a decrease in trade and other payables of approximately HK\$11.9 million and income tax paid of approximately HK\$1.4 million.

For the year ended 31 August 2016, our Group recorded net cash from operating activities of approximately HK\$2.6 million, primarily as a result of operating cash flows before movements in working capital of approximately HK\$8.6 million and an increase in trade and other payables of approximately HK\$19.4 million which were partly offset by an increase in trade and other receivables of approximately HK\$5.9 million and an increase in amounts due from customers for contract work of approximately HK\$19.5 million.

### *Net cash used in investing activities*

For the year ended 31 March 2015, our net cash used in investing activities was approximately HK\$4.5 million, primarily as a result of advance to directors of approximately HK\$6.3 million, deposit paid for acquisition of property, plant and equipment of approximately HK\$0.8 million, purchase of property, plant and equipment of approximately HK\$0.1 million which were partly offset by repayment from directors of approximately HK\$2.7 million and interest income of approximately HK\$1,000.

For the year ended 31 March 2016, our net cash used in investing activities was approximately HK\$14.2 million, primarily as a result of advance to directors of approximately HK\$14.8 million, purchase of property, plant and equipment of approximately HK\$8.0 million which were partly offset by repayment from directors of approximately HK\$8.6 million and interest income of approximately HK\$2,000.

For the year ended 31 August 2016, our net cash used in investing activities was approximately HK\$4.5 million, primarily as a result of advance to directors of approximately HK\$7.3 million, purchase of property, plant and equipment of approximately HK\$0.3 million which were partly offset by repayment from directors of approximately HK\$3.2 million.

## FINANCIAL INFORMATION

### *Net cash (used in) from financing activities*

For the year ended 31 March 2015, our net cash used in financing activities was approximately HK\$0.4 million, primarily as a result of repayment of bank borrowings of approximately HK\$116.3 million, interest paid of approximately HK\$1.5 million, repayment of obligations under finance leases of approximately HK\$0.2 million which were partly offset by bank borrowings raised of approximately HK\$116.5 million and proceeds from issues of new shares of approximately HK\$1.0 million.

For the year ended 31 March 2016, our net cash from financing activities was approximately HK\$19.5 million, primarily as a result of bank borrowings raised of approximately HK\$265.9 million which were partly offset by repayment of bank borrowings of approximately HK\$244.3 million, interest paid of approximately HK\$1.9 million and repayment of obligations under finance leases of approximately HK\$0.2 million.

For the year ended 31 August 2016, our net cash from financing activities was approximately HK\$10.0 million, primarily as a result of bank borrowings raised of approximately HK\$84.5 million which were partly offset by repayment of bank borrowings of approximately HK\$73.7 million, interest paid of approximately HK\$0.7 million and repayment of obligations under finance leases of approximately HK\$0.1 million.

## FINANCIAL INFORMATION

### NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 March		As at 31 August	As at 31 December
	2015	2016	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
<b>Current assets</b>				
Trade and other receivables	65,097	51,853	57,802	110,881
Amounts due from customers for contract work	15,202	22,742	42,281	28,770
Amounts due from directors	7,422	12,587	16,748	18,644
Pledged bank deposits	1,686	1,686	1,686	1,686
Bank balances and cash	<u>590</u>	<u>5,843</u>	<u>13,864</u>	<u>16,244</u>
	<u>89,997</u>	<u>94,711</u>	<u>132,381</u>	<u>176,225</u>
<b>Current liabilities</b>				
Trade and other payables	56,569	40,173	59,617	96,013
Tax payable	968	2,620	3,875	5,263
Bank overdrafts	2,985	34	—	—
Bank borrowings	18,340	39,921	50,728	58,422
Obligations under finance leases	<u>153</u>	<u>53</u>	<u>115</u>	<u>118</u>
	<u>79,015</u>	<u>82,801</u>	<u>114,335</u>	<u>159,816</u>
<b>Net current assets</b>	<u>10,982</u>	<u>11,910</u>	<u>18,046</u>	<u>16,409</u>

As at 31 March 2015, our Group recorded net current assets of approximately HK\$11.0 million. The key components of our Group's current assets as at 31 March 2015 included trade and other receivables amounts of approximately HK\$65.1 million, amounts due from customers for contract work of approximately HK\$15.2 million, amounts due from directors of approximately HK\$7.4 million, pledged bank deposits of approximately HK\$1.7 million and bank balances and cash of approximately HK\$0.6 million. The key components of our Group's current liabilities as at 31 March 2015 included trade and other payables of approximately HK\$56.6 million, tax payable of approximately HK\$1.0 million, bank overdrafts of approximately HK\$3.0 million, bank borrowings of approximately HK\$18.3 million, and obligations under finance leases of approximately HK\$0.2 million.

As at 31 March 2016, our Group recorded net current assets of approximately HK\$11.9 million. The key components of our Group's current assets as at 31 March 2016 included trade and other receivables amounts of approximately HK\$51.9 million, amounts due from customers for contract work of approximately HK\$22.7 million, amounts due from directors of approximately HK\$12.6 million,

## FINANCIAL INFORMATION

pledged bank deposits of approximately HK\$1.7 million and bank balances and cash of approximately HK\$5.8 million. The key components of our Group's current liabilities as at 31 March 2016 included trade and other payables of approximately HK\$40.2 million, tax payable of approximately HK\$2.6 million, bank borrowings of approximately HK\$39.9 million.

As at 31 August 2016, our Group recorded net current assets of approximately HK\$18.0 million. The key components of our Group's current assets as at 31 August 2016 included trade and other receivables amounts of approximately HK\$57.8 million, amounts due from customers for contract work of approximately HK\$42.3 million, amounts due from directors of approximately HK\$16.7 million, pledged bank deposits of approximately HK\$1.7 million and bank balances and cash of approximately HK\$13.9 million. The key components of our Group's current liabilities as at 31 August 2016 included trade and other payables of approximately HK\$59.6 million, tax payable of approximately HK\$3.9 million, bank borrowings of approximately HK\$50.7 million, and obligations under finance leases of approximately HK\$0.1 million.

The increase in our Group's net current assets from approximately HK\$11.0 million as at 31 March 2015 to approximately HK\$11.9 million as at 31 March 2016 was mainly due to the profit for the year ended 31 March 2016 of approximately HK\$15.0 million which was partly offset by cash payment for purchase of property, plant and equipment of approximately HK\$8.0 million. Our Group's net current assets increased further from approximately HK\$11.9 million as at 31 March 2016 to approximately HK\$18.0 million as at 31 August 2016 which was mainly attributable to the net profit for the five months ended 31 August 2016 of approximately HK\$6.3 million.

As at 31 December 2016, being the latest practicable date for ascertaining our Group's net current assets position, our Group recorded net current assets of approximately HK\$16.4 million. Our Group's net current assets as at 31 December 2016 was relatively stable as compared to that as at 31 August 2016.

Further discussion of the fluctuation in the key components of our Group's net current assets is set forth in the below paragraphs.

### Trade and other receivables

As at 31 March 2015, 31 March 2016 and 31 August 2016, trade and other receivables of our Group, which are presented as current assets, amounted to approximately HK\$65.1 million, HK\$51.9 million, HK\$57.8 million, respectively, details of which are set out below:

	<b>As at 31 March</b>		<b>As at 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	21,716	15,580	18,983
Retention receivables	37,864	33,090	35,542
Deposits, prepayments and other receivables	5,517	3,183	3,277
<b>Total</b>	<b>65,097</b>	<b>51,853</b>	<b>57,802</b>

## FINANCIAL INFORMATION

### Trade receivables

Our Group's trade receivables represent the billed amount of progress payments receivables from our Group's customers. The balance decreased from approximately HK\$21.7 million as at 31 March 2015 to approximately HK\$15.6 million as at 31 March 2016 as a result of relatively higher amount of work done being certified and billed to customers for payment in the second half of the year ended 31 March 2015 due to the commencement and execution of a project for a charitable development in Sha Tin Racecourse in the second half of the year ended 31 March 2015.

Our Group's trade receivables increased to approximately HK\$19.0 million as at 31 August 2016 as a result of relatively higher amount of work done being certified and billed to customers for payment during the period ended 31 August 2016 due to the execution of (i) a project for a commercial development adjacent to the ferry terminal in Sheung Wan and (ii) a project for a residential development on South Bay Road, Repulse Bay.

Our Group generally allows credit period ranging from 7 to 45 days from the invoice date.

The ageing analysis of our Group's trade receivables based on invoice dates at the end of each reporting period is as follows:

	<b>As at 31 March</b>		<b>As at 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	21,426	15,357	17,655
31–60 days	20	20	1,106
61–90 days	—	203	—
Over 90 days	270	—	222
	21,716	15,580	18,983

## FINANCIAL INFORMATION

Our trade receivables that were past due but not impaired as at 31 March 2015, 31 March 2016 and 31 August 2016 amounted to approximately HK\$0.3 million, HK\$2.6 million and HK\$1.6 million, respectively. Our Group maintains sound control over our outstanding trade receivables from time to time with overdue balances being reviewed regularly. As there has not been a significant change in credit worthiness of our customers, the outstanding amounts from which were still considered recoverable as at the Latest Practicable Date.

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b>
			<i>HK\$'000</i>
Overdue:			
0–30 days	—	2,425	273
31–60 days	20	20	1,097
61–90 days	—	203	—
Over 90 days	<u>270</u>	<u>—</u>	<u>222</u>
	<u>290</u>	<u>2,648</u>	<u>1,592</u>

As at Latest Practicable Date, approximately 100.0%, 98.8% and 99.0% of trade receivables as at 31 March 2015, 31 March 2016 and 31 August 2016 had been settled.

The following table sets out the trade receivables turnover days during the Track Record Period:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
			<b>2016</b>
Trade receivables turnover days ( <i>note</i> )	27	24	28

*Note:* Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year).

During the Track Record Period, our Group's trade receivables turnover days remained stable at approximately 27 days, 24 days and 28 days as at 31 March 2015, 31 March 2016 and 31 August 2016 respectively.

### ***Retention receivables***

The retention receivables as at 31 March 2015, 31 March 2016 and 31 August 2016 amounted to approximately HK\$37.9 million, HK\$33.1 million and HK\$35.5 million, respectively.

## FINANCIAL INFORMATION

The retention receivables are expected to be settled, based on the expiry date of the defect liability period, at the end of each reporting period:

	As at 31 March		As at 31 August
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within one year	25,853	25,170	25,145
Due after one year	<u>12,011</u>	<u>7,920</u>	<u>10,397</u>
	<u>37,864</u>	<u>33,090</u>	<u>35,542</u>

Retention receivables represent retention money holding up by some of our customers from each progress payment (typically 10% of each progress payment), usually capped at the rate of 5% of total contract sum. Retention receivables are released by customers in accordance with the respective agreements with customers, which is generally released as to 50% upon the issue of practical completion certificate and as to the remaining 50% at the end of the defect liability period, which is in general a twelve-month period after the issue of practical completion certificate. In view of (i) the nature of retention receivables, (ii) past payment records, and (iii) our Group's collection experience with these customers, our Directors consider that the outstanding balance of retention receivables was collectable as at the Latest Practicable Date.

As at Latest Practicable Date, approximately 57.8%, 35.5% and 21.9% of retention receivables as at 31 March 2015, 31 March 2016 and 31 August 2016 have been settled.

### Deposits, prepayments and other receivables

The deposits, prepayments and other receivables, which are presented as current assets, at 31 March 2015, 31 March 2016 and 31 August 2016 amounted to approximately HK\$5.5 million, HK\$3.2 million and HK\$3.3 million, respectively.

The following table sets out a breakdown of deposits and prepayments of our Group, which are presented as current assets, as at the end of each of the Track Record Period:

	As at 31 March		As at 31 August
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits placed for surety bonds	3,983	1,689	1,689
Other deposits, prepayments and other receivables	<u>1,534</u>	<u>1,494</u>	<u>1,588</u>
Total	<u>5,517</u>	<u>3,183</u>	<u>3,277</u>

## FINANCIAL INFORMATION

Deposits and prepayments mainly include deposits placed for surety bonds, which represent the deposits as collateral security for surety bonds in respect of construction contracts in favour of our customers. The decrease in such amounts was due to the decrease in the deposits placed for surety bonds as at 31 March 2016, as a result of the completion of a project for an industrial development on Cheung Fai Road, Tsing Yi during the year ended 31 March 2016. For details of our surety bonds, please refer to paragraphs headed “Surety bonds and contingent liability” in this section.

### **Amounts due from customers for contract work**

Our Group generally recognises the value of work performed as revenue based on the percentage of completion. There is normally a timing difference between the completion of contract work and payment by our customers after the issue of progress certificates. If cost incurred plus recognised profit less recognised losses exceed progress billings, the net amount will be recognised as amount due from customers on contract work under our current assets. Conversely, if progress billing exceed cost incurred plus recognised profit less recognised losses, the net amount will be recognised as amount due to customers on contract works under our current liabilities. As such, the amounts due from customers for contract work are generally affected by the value of contract work performed and the timing of progress billings.

The amounts due from customers for contract work as at 31 March 2015, 31 March 2016 and 31 August 2016 amounted to approximately HK\$15.2 million, HK\$22.7 million and HK\$42.3 million, respectively. The amounts due from customers for contract work increased from approximately HK\$15.2 million as at 31 March 2015 to approximately HK\$22.7 million as at 31 March 2016, which was primarily due to the contract works performed for a project for a commercial development adjacent to the ferry terminal in Sheung Wan but yet to be certified, which amounted to approximately HK\$9.1 million. The amounts due from customers for contract work further increased to approximately HK\$42.3 million as at 31 August 2016 as the balance of the aforementioned project has further increased to approximately HK\$21.9 million.

## FINANCIAL INFORMATION

The following table sets forth our Group's contracts costs incurred plus recognised profits less recognised losses and our Group's progress billings as at the end of each of the Track Record Period:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the end of the reporting period:			
Contract costs incurred to date	343,885	274,149	461,713
Add: recognised profits less recognised losses	69,140	62,656	91,780
	413,025	336,805	553,493
Less: progress billings	(397,823)	(314,063)	(511,212)
	15,202	22,742	42,281
Analysis for reporting purposes as:			
Amounts due from customers for contract work	15,202	22,742	42,281
Amounts due to customers for contract work	—	—	—
	15,202	22,742	42,281

### Amounts due from directors

Amounts due from directors represented amounts due from Mr. Leung and Mr. Ho to our Group. Such amount was unsecured, interest-free and repayable on demand. The balances as at 31 March 2015, 31 March 2016 and 31 August 2016 were approximately HK\$7.4 million, HK\$12.6 million and HK\$16.7 million, respectively. Our Directors confirm that the aforementioned amounts due from Directors will be fully settled before the Listing by a special dividend.

### Trade and other payables

The trade and other payables of our Group at 31 March 2015, 31 March 2016 and 31 August 2016, which are presented as current liabilities, amounted to approximately HK\$56.6 million, HK\$40.2 million and HK\$59.6 million, respectively.

## FINANCIAL INFORMATION

The trade and other payables breakdown of our Group, which are presented as current liabilities, as at the end of each of the Track Record Period is as follows:

	As at 31 March		As at
	2015	2016	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	5,350	6,754	28,869
Accrued costs of materials and subcontracting charges	42,251	20,101	10,704
Receipts in advance from customers	1,289	14	14
Retention payables to subcontractors	4,211	9,595	15,020
Deposits received	—	306	306
Other accruals	<u>3,468</u>	<u>3,403</u>	<u>4,704</u>
Total trade and other payables	<u><u>56,569</u></u>	<u><u>40,173</u></u>	<u><u>59,617</u></u>

### Trade payables

Our Group's trade payables mainly represent amounts payable to suppliers such as subcontracting charges and material cost. Our trade payables as at 31 March 2015, 31 March 2016 and 31 August 2016 amounted to approximately HK\$5.4 million, HK\$6.8 million and HK\$28.9 million, respectively. The increasing trend of our trade payable was generally in line with our business expansion during the Track Record Period.

The credit period on trade payables are generally ranged from 0 to 30 days.

Ageing analysis of our Group's trade payables based on invoice dates at the end of each reporting period as below:

	As at 31 March		As at
	2015	2016	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	830	2,154	20,962
31–60 days	489	1,727	2,243
61–90 days	1,017	247	552
Over 90 days	<u>3,014</u>	<u>2,626</u>	<u>5,112</u>
	<u><u>5,350</u></u>	<u><u>6,754</u></u>	<u><u>28,869</u></u>

As at Latest Practicable Date, approximately 96.6%, 86.0% and 70.1% of the trade payables as at 31 March 2015, 31 March 2016 and 31 August 2016 have been settled.

## FINANCIAL INFORMATION

The following table sets out the trade payables turnover days during the Track Record Period:

	<b>As at 31 March 2015</b>	<b>2016</b>	<b>As at 31 August 2016</b>
Trade payables turnover days ( <i>note</i> )	26	9	33

*Note:* Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of sales for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year).

During the Track Record Period, our Group's trade payables turnover days were approximately 26 days, 9 days and 33 days as at 31 March 2015, 31 March 2016 and 31 August 2016 respectively. The relatively shorter trade payables turnover days for the year ended 31 March 2016 as compare to those for the year ended 31 March 2015 was mainly due to the settlement arrangement by bank borrowings near the end of the year ended 31 March 2016 so as to maintain our financial liquidity. Since the project for a commercial development adjacent to the ferry terminal in Sheung Wan was commenced in February 2016, we received bills from our subcontractors for their procurement of construction materials at the preparation stage. Hence, we utilised more banking facilities for settlement of trade payables. For more details of our bank borrowings, please refer to paragraphs headed "Indebtedness — Bank borrowings". The relatively longer trade payables turnovers days for the five months ended 31 August 2016 compare to those for the year ended 31 March 2016 was mainly as a result of relatively higher amount of workdone being certified and billed from the suppliers for payment during the five months ended 31 August 2016.

### **Accrued costs of materials and subcontracting charges**

Our accrued costs of materials and subcontracting charges as at 31 March 2015, 31 March 2016 and 31 August 2016 amounted to approximately HK\$42.3 million, HK\$20.1 million and HK\$10.7 million, respectively, which mainly represented accruals for the contract work performed by our subcontractors but yet to be certified by our customers' consultant teams and billed by our subcontractors as at the end of reporting period. The decrease in balance amount as at 31 March 2016 was mainly a result of relatively higher amount of work done being completed but not yet billed as at 31 March 2015 when compared to that as at 31 March 2016. Such balance further decreased to approximately HK\$10.7 million as at 31 August 2016, mainly due to the increase in billing from subcontractors, which reduced the accrued subcontracting charges and increased the trade payables.

### **Retention payables to subcontractors**

Retention payables to subcontractors are recognised in respect of the retention money we hold up from the payments to some of our Group's subcontractors from each progress payment (typically 10% of each progress payment), usually capped at the rate of 5% of total contract sum. Generally, half of the retention money will be released to the subcontractors upon completion of the subcontracted works and the remaining half will be released to subcontractors upon expiry of the defect liability period, which mirrors the relevant term in the main contract.

## FINANCIAL INFORMATION

Our retention payables as at 31 March 2015, 31 March 2016 and 31 August 2016 amounted to approximately HK\$4.2 million, HK\$9.6 million and HK\$15.0 million, respectively. The balance increased from 31 March 2016 to 31 August 2016 mainly because of the contract work performed by our subcontractors on (i) a project for the charitable development in Sha Tin Racecourse; (ii) a project for a residential development on South Bay Road, Repulse Bay.

Our retention payables are expected to be settled, based on the expiry date of the defect liability period, at the end of each reporting period as follows:

	<b>As at 31 March</b>		<b>As at 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within one year	1,333	9,577	14,044
Due after one year	2,878	18	976
	4,211	9,595	15,020

As at Latest Practicable Date, approximately 73.2%, 39.0% and 30.6% of the retention payables as at 31 March 2015, 31 March 2016 and 31 August 2016 have been settled.

### *Other accruals*

Our other accruals as at 31 March 2015, 31 March 2016 and 31 August 2016 amounted to approximately HK\$3.5 million, HK\$3.4 million and HK\$4.7 million, respectively, which mainly comprised (i) accruals for levy fee to the Pneumoconiosis Compensation Fund Board and the CIC, (ii) provision for staff costs and related expenses, and (iii) accruals for audit fee and other professional fees.

### **TAX PAYABLE**

Our Group's tax payable as at 31 March 2015, 31 March 2016 and 31 August 2016 were approximately HK\$1.0 million, HK\$2.6 million and HK\$3.9 million, respectively.

Our Group filed profits tax returns for the year of assessment 2013/14 and 2014/15, which were prepared by our Group in accordance with the statutory financial statements of our Group's subsidiaries for the year ended 31 March 2014 and 31 March 2015 which were audited by our Group's predecessor auditor. The Inland Revenue Department (the "IRD") accepted the tax returns and computation and raised assessment per return. Our Group has fully settled its tax liabilities as required by the then assessment raised by the IRD accordingly.

In preparation of the financial information of our Group for the Track Record Period, the management of our Group had identified errors, being mainly accounting errors in relation to the recognition of the contract revenue and the corresponding cost, in the statutory financial statements of a subsidiary of our Group for the years prior to and the year ended 31 March 2015, where certain revenue and the corresponding cost should be recognised in the financial year ended 31 March 2014 and 31 March 2015. Relevant adjustments have been made to the revenue and cost of sales of our Group for the year ended 31 March 2014 and 31 March 2015, and accordingly, relevant adjustments have also been

## FINANCIAL INFORMATION

made to the income tax expenses. As a result, the tax undercharged for the year ended 31 March 2015 of approximately HK\$0.4 million (the “**Tax Undercharged**”) has been restated in the financial statements of profit or loss for the year ended 31 March 2015. There is no tax undercharged for the year ended 31 March 2014. The Tax Undercharged is subject to final assessment of the IRD.

In this regard, Edwin Yeung & Company (CPA) Limited, our tax consultant, has issued a Hong Kong tax opinion (the “**Tax Opinion**”) with respect to the adjustments made and the potential penalty resulting from the Tax Undercharged that may be imposed on our Group by the IRD. According to the Tax Opinion, Edwin Yeung & Company (CPA) Limited opines that the IRD is likely to assess the case of the Tax Undercharged as “Fail to exercise reasonable care” under “full voluntary disclosure” as there is no evidence to show that it is a “Deliberate cover-up” or “Recklessness” case, and that the potential penalty shall be 5% of the Tax Undercharged plus interest, with a cumulative maximum of 30% of the Tax Undercharged. According to the Tax Opinion, the calculated penalty for the year of assessment 2014/15 under normal penalty loading is \$19,890, plus interest. The maximum penalty of 30% of the Tax Undercharged is not applicable as the interest rate adopted by the IRD is only 5% per annum.

Our Group has made a voluntary filing to the IRD for tax reassessment for the relevant years of assessment upon the issue of statutory financial statements in November 2016. Based on the Tax Opinion, the management of our Company considered that the amount of potential tax penalty that might be imposed by the IRD is immaterial, and no provision for such amount has been made to the financial information of our Group for the Track Record Period accordingly. Our Group will duly settle the reassessed income tax balance in accordance with the requirement of the IRD.

### INDEBTEDNESS

The following table sets forth our bank borrowings, bank overdrafts and obligations under finance leases as at dates indicated:

	<b>As at</b>		<b>As at</b>	<b>As at</b>
	<b>31 March</b>		<b>31 August</b>	<b>31 December</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Bank borrowings	18,340	39,921	50,728	58,422
Bank overdrafts	2,985	34	—	—
Obligations under finance leases	<u>206</u>	<u>53</u>	<u>424</u>	<u>387</u>
	<u>21,531</u>	<u>40,008</u>	<u>51,152</u>	<u>58,809</u>

## FINANCIAL INFORMATION

### Bank borrowings

The following table sets out a breakdown of our Group's bank borrowings as at the dates indicated:

	<b>As at 31 March</b>		<b>As at 31 August</b>	<b>As at 31 December</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank borrowings:				(unaudited)
Bank loans	17,994	29,480	28,727	28,256
Factoring loans	<u>346</u>	<u>10,441</u>	<u>22,001</u>	<u>30,166</u>
	<u>18,340</u>	<u>39,921</u>	<u>50,728</u>	<u>58,422</u>

Bank loans carries interest at Hong Kong Prime Rate of the relevant bank plus 0.5% to 1.5% or at Hong Kong dollar Best Lending Rate (“**HKD BLR**”) plus 0.5% or minus 2.75% per annum or at one-month Hong Kong Interbank Offered Rate plus 2% per annum or at Hong Kong Prime Rate of the relevant bank plus 1.5% per annum. Factoring loans carry interest at HKD BLR plus 1% per annum.

The ranges of effective interest rates on bank borrowings as at 31 March 2015, 31 March 2016 and 31 August 2016 (which are also equal to contracted interest rates) are ranged from 5.5% to 6.5%, 2.2% to 6.1% and 2.2% to 6.1% per annum, respectively. A relatively low effective interest rate of 2.2% was recorded as at 31 March 2016 and 31 August 2016. It was mainly due to the mortgage loan which generally carries a lower interest rate.

The increase of the factoring loans of approximately HK\$0.3 million as at 31 March 2015 to approximately HK\$10.4 million as at 31 March 2016 was mainly due to the loan associated with the project for the commercial development adjacent to the ferry terminal in Sheung Wan of approximately HK\$7.2 million. The amount was further increased to approximately HK\$22.0 million as at 31 August 2016 as a result of the increase in the loan balance of abovementioned project to approximately HK\$20.3 million.

The increase of bank loans of approximately HK\$18.0 million as at 31 March 2015 to approximately HK\$29.5 million as at 31 March 2016 was mainly due to (i) the increase in the mortgage loan of approximately HK\$2.9 million for the property purchased during the year ended 31 March 2016; and (ii) the increase in usage of loan settlement for trade payables near the year ended 31 March 2016.

Our Directors confirm that there was no material delay or default in the repayment of bank borrowings and our Group did not have any difficulties in obtaining bank borrowings during the Track Record period and up to the Latest Practicable Date.

## FINANCIAL INFORMATION

### Banking facilities

The following table sets forth a breakdown of utilised and unutilised bank facilities of our Group as at the dates indicated.

	<b>As at 31 March</b>		<b>As at 31 August</b>		<b>As at 31 December</b>	
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total bank borrowing facilities granted to our Group	41,000	63,360	63,360	63,360	63,360	63,360
Less: Amount of bank borrowing facilities utilised	(21,325)	(40,299)	(51,721)	(51,721)	(59,936)	(59,936)
Total unutilised bank borrowing facilities	19,675	23,061	11,639	11,639	3,424	3,424

As at 31 March 2015, 31 March 2016, 31 August 2016 and 31 December 2016, our banking facilities represented facility limit for (i) revolving loan; (ii) bank overdrafts; (iii) revolving trade financing; (iv) instalment property loan; and (v) instalment tax loan.

The bank borrowings were secured and guaranteed by (a) the personal guarantee given by Mr. Leung and Mr. Ho; (b) guarantee from the Hong Kong Mortgage Corporation Limited under SME Financing Guarantee Scheme; (c) the properties held by Mr. Leung and Ms. Ng Yee Ting who cohabits with Mr. Leung as a spouse and Mr. Ho's wife; (d) pledged bank deposits of our Group amounted to approximately HK\$1.7 million as at 31 March 2015, 31 March 2016, 31 August 2016 and 31 December 2016; and/or (e) a legal charge over the property held by our Group. The banking facilities do not contain any material financial covenants.

Our Directors confirm that the guarantee under (a) and (b) above and the security given by the properties under (c) above will be released and replaced by a corporate guarantee provided by our Company upon the Listing.

To the best knowledge and belief of our Directors, our Group will not have material difficulties in obtaining new banking facilities or renewing our existing banking facilities after Listing.

### Obligations under finance leases

As at 31 December 2016, the Group had obligation under a finance lease of approximately HK\$387,000, for which Mr. Leung is the guarantor, and was secured by the title to the underlying asset as the right to the leased asset would be reverted to the lessor in the event of default of repayment by our Group.

## FINANCIAL INFORMATION

### Surety bonds and contingent liability

Our customers of certain contracts require our Group to issue guarantees for the performance of contract works in the form of surety bonds, generally amounting to 10% of total awarded contract sum from our customers. As at 31 March 2015, 31 March 2016, 31 August 2016 and 31 December 2016, the amount of surety bonds provided by our Group were approximately HK\$19.0 million, HK\$31.5 million, HK\$78.3 million and HK\$69.1 million, respectively. The relatively higher balances as at 31 August 2016 and 31 December 2016 were mainly attributable to a project for a commercial development adjacent to the ferry terminal in Sheung Wan which required our Group to provide the surety bond of approximately HK\$47.9 million.

During the Track Record Period, the surety bonds are generally secured by pledged deposits of our Group and certain surety bonds are also secured by personal guarantees of our Directors, and corporate guarantees of certain Group companies. As at 31 December 2016, the amounts of surety bonds provided by the Group were approximately HK\$69.1 million, comprising (i) surety bonds of approximately HK\$61.5 million which were secured by the pledged deposits of the Group and were guaranteed by Mr. Leung, Mr. Ho and a subsidiary of the Company; and (ii) surety bonds of approximately HK\$7.6 million which were unsecured and guaranteed by Mr. Leung, Mr. Ho and a subsidiary of the Company. The following table sets out a breakdown of pledged deposits provided by our Group as at the dates indicated:

	<b>As at 31 March</b>		<b>As at 31 August 2016</b>	<b>As at 31 December 2016</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Pledged deposits				
Presented as non-current assets	—	9,898	9,898	9,898
Presented as current assets	<u>3,983</u>	<u>1,689</u>	<u>1,689</u>	<u>1,689</u>
	<u>3,983</u>	<u>11,587</u>	<u>11,587</u>	<u>11,587</u>

Our Directors confirm that the personal guarantees provided by our Directors for any outstanding surety bonds will be released upon Listing.

Save as disclosed above and apart from intra-group liabilities, as at 31 December 2016, we did not have any other outstanding liabilities or any mortgages, charges, debentures, loan capital, bank overdrafts or loans, liabilities under acceptance or other similar indebtedness (other than normal trade bills), hire purchase commitments, finance lease obligations, any guarantees or any contingent liabilities.

### Material indebtedness change

Our Directors have confirmed that, up to the Latest Practicable Date, there has been no material change in the indebtedness, capital commitment and contingent liabilities of our Group since 31 December 2016, being the latest practicable date for the preparation of the indebtedness.

## FINANCIAL INFORMATION

Our Directors have confirmed that as at the Latest Practicable Date, our Group did not have any plans to raise any material debt financing shortly after Listing.

### CAPITAL EXPENDITURES AND COMMITMENTS

#### Operating Lease Commitments

##### *Our Group as lessee*

At the end of respective reporting periods, our Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of leased properties for our Group's office premise and carpark spaces in Hong Kong which fall due as follows:

	<b>As at 31 March</b>		<b>As at 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	26	3	9

#### Capital Commitments

The following table sets out the capital commitments of our Group during the Track Record Period:

	<b>As at 31 March</b>		<b>As at 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of the acquisition of a leasehold land and building in Hong Kong contracted for but not provided in the Financial Information	7,353	—	—
Capital expenditure in respect of the acquisition of a motor vehicle contracted for but not provided in the Financial Information	—	778	—
	7,353	778	—

Save for the above, our Group had no material capital commitments.

#### PROPERTY INTEREST

As at 31 March 2015, our Group did not own any properties in Hong Kong. As at 31 March 2016, 31 August 2016 and the Latest Practicable Date, our Group own one property for our Group's workshop and ancillary office. Please refer to the paragraphs headed "Business — Properties" in this prospectus for the further details.

## FINANCIAL INFORMATION

### ANALYSIS OF KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of our Group during the Track Record Period:

	Year ended 31 March/ As at 31 March		Five months ended/ As at 31 August
	2015	2016	2016
	Return on total assets	8.5%	13.2%
Return on equity	66.2%	58.3%	N/A
Current ratio	1.1 time	1.1 time	1.2 time
Gearing ratio	183.2%	155.6%	159.5%
Debt to equity ratio	178.2%	132.8%	116.3%
Interest coverage	7.4 times	10.2 times	12.0 times

*Notes:*

1. Return on total assets is calculated based on the profit for the year divided by the total assets as at the end of the year.
2. Return on equity is calculated based on the profit for the year divided by total equity at the end of the year.
3. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year/period.
4. Gearing ratio is calculated based on the total loans and borrowings (which represent bank overdrafts, bank borrowings and obligations under finance leases) divided by total equity at the end of the year/period.
5. Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the end of the year/period multiplied by 100%.
6. Interest coverage is calculated by the profit before interest and tax divided by the interest expenses for the year/period.

### Key financial ratios

#### *Return on total assets*

The return on total assets increased from approximately 8.5% for the year ended 31 March 2015 to approximately 13.2% for the year ended 31 March 2016. The increase in return on total assets was attributable to the increase in profit for the year from approximately HK\$7.8 million for the year ended 31 March 2015 to approximately HK\$15.0 million for the year ended 31 March 2016 as explained in paragraphs headed “Comparison of results of operations — Year ended 31 March 2016 compared to year ended 31 March 2015”.

## FINANCIAL INFORMATION

### *Return on equity*

The return on equity decreased from approximately 66.2% for the year ended 31 March 2015 to approximately 58.3% for the year ended 31 March 2016 which was attributable to the relatively high equity as at 31 March 2016 comparing with 31 March 2015 which outweighed the increase in profit for the year from approximately HK\$7.8 million for the year ended 31 March 2015 to approximately HK\$15.0 million for the year ended 31 March 2016.

### *Current ratio*

The current ratio remained stable at approximately 1.1 time to 1.2 time during the Track Record Period.

### *Gearing ratio*

The gearing ratio decreased from approximately 183.2% as at 31 March 2015 to approximately 155.6% as at 31 March 2016. The decrease in gearing ratio was attributable to the increase in equity from approximately HK\$11.8 million as at 31 March 2015 to approximately HK\$25.7 million as at 31 March 2016 which outweighed the increase of loans and borrowings from approximately HK\$21.5 million as at 31 March 2015 to approximately HK\$40.0 million as at 31 March 2016.

The gearing ratio remained stable at approximately 159.5% as at 31 August 2016 which was mainly attributable by the increase in loans and borrowings from approximately HK\$40.0 million as at 31 March 2016 to approximately HK\$51.2 million as at 31 August 2016, which outweighed the increase in equity from approximately HK\$25.7 million as at 31 March 2016 to approximately HK\$32.1 million as at 31 August 2016.

### *Debt to equity ratio*

The debt to equity ratio decreased from approximately 178.2% as at 31 March 2015 to approximately 132.8% as at 31 March 2016. It was mainly due to the increase in retained earnings as a result of the net profit growth during the year ended 31 March 2016 as discussed above. The debt to equity ratio further decreased to approximately 116.3% as at 31 August 2016 due to the further increase in retained earnings as a result of the net profit of approximately HK\$6.3 million for the five months ended 31 August 2016.

### *Interest coverage*

Our Group had interest coverage of approximately 7.4 times and 10.2 times for the year ended 31 March 2015 and 31 March 2016, respectively. The increasing trend of our interest coverage was in line with our increased profit before interest and tax from approximately HK\$10.8 million for the year ended 31 March 2015 to approximately HK\$20.0 million for the year ended 31 March 2016. The interest coverage further increased to approximately 12.0 times for the five months ended 31 August 2016 due to the decrease in finance cost for bank borrowings during the period.

## **FINANCIAL INFORMATION**

### **LISTING EXPENSES**

Our Directors expect that our total Listing expenses, which are non-recurring in nature, will amount to approximately HK\$23.0 million (assuming an Offer Price of HK\$0.30 per Offer Share; being the mid-point of the indicative Offer Price range stated in this prospectus) which will be borne as to approximately HK\$22.0 million by us and as to approximately HK\$1.0 million by the Selling Shareholders. Out of the amount of approximately HK\$22.0 million of Listing expenses, our Directors expect to recognise approximately HK\$14.2 million in our Group's profit and loss accounts for the year ending 31 March 2017 and the remaining estimated Listing expenses in the amount of approximately HK\$7.8 million will be deducted from equity upon the Listing.

Accordingly, the financial results of our Group for the year ending 31 March 2017 are expected to be significantly affected by the estimated expenses in relation to the Listing, as a result, it is expected that there will be a significant decrease in net profit for the year ending 31 March 2017. Such Listing expenses are current estimate for reference only and the final amount to be charged to the profit and loss account of our Group for the year ending 31 March 2017 and the amount to be deducted from our Group's capital is subject to change.

### **FINANCIAL RISK MANAGEMENT**

The major financial risks arising from our Group's normal course of business include market risk (interest rate risk), credit risk and liquidity risk. For details, please refer to note 25b "Financial risk management objectives and policies" to the Accountants' Report.

### **OFF-BALANCE SHEET ARRANGEMENTS AND COMMITMENTS**

Our Directors confirm that our Group did not have any material off-balance sheet transactions or arrangements during the Track Record Period

### **WORKING CAPITAL**

Our Directors are of the opinion that, taking into consideration our Group's internal resources, available facilities and the estimated net proceeds from the Public Offer, our Group has sufficient working capital for its present requirements and for at least the next 12 months from the date of this prospectus.

### **DISTRIBUTABLE RESERVES**

The Company was incorporated on 18 October 2016. As at 31 August 2016, the Company had no distributable reserves available for distribution to the Shareholders.

### **RELATED PARTY TRANSACTIONS**

With respect to the related party transactions set forth in note 30 to the Accountants' Report set out in Appendix I to this prospectus, our Directors have confirmed that each transaction set forth therein was conducted on arm's length basis, on normal commercial terms and in the ordinary course of

## **FINANCIAL INFORMATION**

business. Our Directors consider that these related party transactions would not distort our results in material respects during the Track Record Period, and would not make our historical results not reflective of our future performance.

Our Directors confirm that, save for the related party transactions in relation to remuneration for our key management personnel, the other related party transactions will be ceased upon Listing.

### **DIVIDEND**

A subsidiary of our Company distributed an interim dividend of HK\$1,027,000 for the year ended 31 March 2016 while no dividends were declared for the year ended 31 March 2015 and the five months ended 31 August 2016. We intend to declare a special dividend of HK\$22.0 million to our Shareholders before the Listing. Of this total, approximately HK\$18.6 million is expected to be offset against the amounts due from Directors (amounted to approximately HK\$18.6 million as at 31 December 2016) with the remaining HK\$3.4 million in cash. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payment.

Our Group currently does not have any specific dividend policy. Dividends may be paid out by way of cash or by other means that our Directors consider appropriate. The declaration of future dividends will be subject to the discretion of our Board and the approval of our Shareholders and will depend on our earnings, financial condition, cash requirement and availability and any other factors our Directors may deem relevant. As such factors and the payment of dividends are at the discretion of our Board, there can be no assurance that any particular dividend amount or any dividend at all, will be declared and paid in the future. Prospective investors should note that historical dividend payments should not be regarded as an indication of our future dividend.

### **DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES**

Our Directors have confirmed that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, they were not aware of any circumstances which could give rise to a disclosure obligation pursuant to Rules 17.15 to 17.21 of the GEM Listing Rules.

### **NO MATERIAL ADVERSE CHANGE**

Save for the total Listing expenses borne by us estimated to be approximately HK\$22.0 million, of which approximately HK\$14.2 million will be recorded in our Group's profit and loss accounts for the year ending 31 March 2017, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 August 2016 (being the date to which the latest audited combined financial statements of our Group were prepared), and there is no event since 31 August 2016 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

### **UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

The following unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purposes only, and is set out herein to provide prospective investors with

## FINANCIAL INFORMATION

further illustrative financial information about how the Public Offer might have affected the combined net tangible assets of our Group after the completion of the Public Offer as if the Public Offer had taken place on 31 August 2016. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of our Group had the Public Offer been completed on 31 August 2016 or at any future dates.

The unaudited pro forma adjusted combined net tangible assets of our Group as at 31 August 2016 is based on the audited combined net tangible assets of our Group as at 31 August 2016 as shown in the Accountants' Report set out in Appendix I to this prospectus and the adjustments described below.

	<b>Audited combined net tangible assets of our Group as at 31 August 2016 HK\$'000 (Note 1)</b>	<b>Estimated net proceeds from the Public Offer HK\$'000 (Note 2)</b>	<b>Unaudited pro forma adjusted combined net tangible assets of our Group as at 31 August 2016 HK\$'000</b>	<b>Unaudited pro forma adjusted combined net tangible assets of our Group per Share as at 31 August 2016 HK\$ (Note 3)</b>
Based on the Offer Price of HK\$0.25 per Offer Share	32,066	28,529	60,595	0.076
Based on the Offer Price of HK\$0.35 per Offer Share	32,066	47,529	79,595	0.099

*Notes:*

- (1) The audited combined net tangible assets of our Group as at 31 August 2016 is based on the combined net assets of our Group of HK\$32,066,000 as at 31 August 2016 as extracted from the Accountants' Report set forth in Appendix I to this Prospectus.
- (2) The adjustment to the statement of the unaudited pro forma adjusted combined net tangible assets of our Group reflects the estimated net proceeds from the Public Offer to be received by the Company. The estimated net proceeds from the Public Offer is based on 200,000,000 New Shares at the Offer Price of HK\$0.25 and HK\$0.35 per Offer Share, being the low-end and high-end of the indicative Offer Price range, respectively, after deduction of the estimated underwriting fees to be incurred by the Group and other related expenses expected to be incurred subsequent to 31 August 2016 and does not take into account of any Share which may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme, or any Share which may be issued or repurchased pursuant to our Company's general mandate.
- (3) The unaudited pro forma adjusted combined net tangible assets of our Group per Share is based on 800,000,000 Shares in issue immediately following completion of the Capitalisation Issue and the Public Offer assumed to be on 31 August 2016. It does not take into account of any Share which may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme, or any Share which may be issued or repurchased pursuant to our Company's general mandate.

## FINANCIAL INFORMATION

- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of our Group as at 31 August 2016 to reflect any trading result or other transactions of our Group entered into subsequent to 31 August 2016.
- (5) The unaudited pro forma adjusted combined net tangible assets of our Group presented in the table above has not been adjusted to show the effect of the special dividends of HK\$22.0 million which is expected to be declared and approved by our Company on 22 February 2017 (the “**Dividend**”). Had the dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets of our Group and the unaudited pro forma adjusted combined net tangible assets of our Group per Share would be further adjusted as below, which is calculated based on 800,000,000 Shares in issue immediately following completion of the Public Offer and the Capitalisation Issue:

	<b>Unaudited pro forma adjusted combined net tangible assets of our Group as at 31 August 2016 after taking into account of the estimated net proceeds from the Public Offer and Dividend</b> <i>HK\$'000</i>	<b>Unaudited pro forma adjusted combined net tangible assets of our Group as at 31 August 2016 after taking into account of the estimated net proceeds from the Public Offer and Dividend</b> <i>HK\$</i>
Based on the Offer Price of HK\$0.25 per Offer Share	38,595	0.048
Based on the Offer Price of HK\$0.35 per Offer Share	57,595	0.072

## FUTURE PLANS AND USE OF PROCEEDS

### BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the paragraphs headed “Business — Business strategies” in this prospectus for our Group’s business objectives and strategies.

### USE OF PROCEEDS

For the period from the Listing Date to 31 March 2019, our net proceeds from the Public Offer will be used as follows:

	From the Latest Practicable Date to 31 March 2017 <i>HK\$'000</i>	From 1 April 2017 to 30 September 2017 <i>HK\$'000</i>	From 1 October 2017 to 31 March 2018 <i>HK\$'000</i>	From 1 April 2018 to 30 September 2018 <i>HK\$'000</i>	From 1 October 2018 to 31 March 2019 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reserve more capital to satisfy our potential customers’ requirement for surety bond	1,960	4,900	4,900	3,920	3,920	19,600
Reduce gearing ratio by repaying bank borrowings	8,000	—	—	—	—	8,000
Support the working capital requirement for our applying and maintaining M1 (Maintenance) building contractor license	—	—	8,000	—	—	8,000
Strengthen our scope of services — site formation	80	580	580	580	580	2,400
					<u>580</u>	
					<u>38,000</u>	

Based on the Offer Price of HK\$0.30 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.25 per Offer Share to HK\$0.35 per Offer Share, the net proceeds from the Public Offer are estimated to be approximately HK\$38.0 million, after deducting the estimated Listing expenses, paid and payable by our Company from the gross proceeds of the Public Offer.

Our Directors intend to apply such net proceeds as follows:

- approximately HK\$19.6 million, representing approximately 51.5% of the net proceeds, will be earmarked to secure the new contracts we plan to tender, which it is generally required as conditions of tender that main contractors will be required to take out surety bonds issued by banks or insurance companies in the amount of certain percentage of the contract sum in favour of the potential customers. During the Track Record Period, we undertook 33 projects, of which 17 projects, with an aggregate awarded contract sum of approximately HK\$1,087 million, required surety bonds. The surety bonds generally amount to 10% of total awarded contract sum from our customers. Our Directors consider that if we are to expand our business and undertake more RMAA and fitting-out projects, we must continue to enhance our available financial resources and strengthen our liquidity position in order to satisfy the surety bond requirement for projects that may potentially be awarded to us. During the Track Record Period, we engaged the services of insurance companies that provide such surety

## FUTURE PLANS AND USE OF PROCEEDS

bonds by pledging to them approximately 10% to 30% of the total surety bond amount required (generally the amount of the pledged deposit was equivalent to 1% to 3% of total awarded contract sum), depending on the terms of the respective surety bond, in the form of cash. Our Directors consider that for illustrative purpose, by applying approximately HK\$19.6 million to the abovementioned insurance companies as pledge deposit to provide such surety bond based on similar terms available to us during the Track Record Period, our Group would be able to undertake potential new projects with total awarded contract sum ranging from approximately HK\$653 million up to approximately HK\$1,960 million after the Listing. Based on the above illustration and our Directors' experience, our Directors are confident that, for the sake of prudence, our Group would be able to undertake potential new projects with total contract sum of at least HK\$500 million after the Listing;

- approximately HK\$8.0 million, representing approximately 21.1% of the net proceeds, will be used to reduce our gearing ratio by repaying bank borrowings, which were used for the general working capital for our daily operation during the Track Record Period. As at 31 August 2016, our gearing ratio was 159.5% with the total debt amounted to approximately HK\$51.2 million. As such, we intend to utilise part of the net proceeds to repay the outstanding bank borrowings after the Listing to reduce our gearing ratio. For the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, our finance costs amounted to approximately HK\$1.5 million, HK\$1.9 million and HK\$0.7 million respectively. As such, our Group intends to reduce the gearing ratio and the finance costs in long term. However, our Directors consider that it is necessary for our Group to maintain a sufficient cash level so as to support our Group's daily operations. Instead of using the cash balance on hand to repay bank borrowings, our Group intends to utilise part of the net proceeds from the Listing to reduce our gearing ratio and our financial reliance on bank financing;
- approximately HK\$8.0 million, representing approximately 21.1% of the net proceeds, will be used to support our Group, together with our internal resources, to satisfy the applicable working capital requirement for the license of Group M1 (Maintenance) building contractor. Based on our projects on hand as at 31 August 2016, our Group will be subject to the requirement of setting aside approximately HK\$44.9 million, being 8% of the closing value of backlog as at 31 August 2016 to satisfy the requirements prescribed by the Housing Authority in relation to the working capital for admitting to and maintaining as a Group M1 (Maintenance) building contractor with probationary status under the Housing Authority; and
- approximately HK\$2.4 million, representing approximately 6.3% of the net proceeds, will be used for strengthening our scope of services by becoming a Registered Specialist Contractor (Sub-register of Site Formation Works Category). For certain large scale and/or complex RMAA and fitting-out projects, a Registered Specialist Contractor (Sub-register of Site Formation Works Category) is required to supervise and carry out the site formation works, such as slope repair works and construction of retaining structure and excavation works on slope. In order to satisfy the eligibility requirements for tendering and carrying out larger and more complex contracts, we plan to obtain the registration in the list of Registered Specialist Contractor (Sub-register of Site Formation Works Category) under the Buildings Department. As such, we plan to increase our headcounts and provide trainings for technical staff for strengthening scope of service to cover site formation works in Hong Kong.

## **FUTURE PLANS AND USE OF PROCEEDS**

The above allocation of the net proceeds from the Public Offer will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher level or a lower level compared to the midpoint of the indicative Offer Price range.

If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds to be received by us from the Public Offer will increase or decrease by approximately HK\$10.0 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Offer Price is determined at the highest or lowest of the indicative Offer Price range.

To the extent that the net proceeds from the Public Offer are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks or authorised financial institutions for so long as it is in our best interests.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Group will issue an announcement in accordance with the GEM Listing Rules.

We estimate that the net proceeds to the Selling Shareholders from the sale of the Sale Shares (after deduction of proportionate underwriting fees and estimated expenses payable by the Selling Shareholders in relation to the Public Offer) will be approximately HK\$19.1 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

### **IMPLEMENTATION PLANS**

In pursuance of the above business objectives, the implementation plans of our Group are set forth below from the Listing Date to 31 March 2017 and for each of the six-month periods until 31 March 2019. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to the paragraphs headed “Bases and assumptions” in this section below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk factors” of this prospectus.

## FUTURE PLANS AND USE OF PROCEEDS

The net proceeds from the Public Offer to our Company (after deduction of underwriting fees and estimated expenses payable by us in relation to the Public Offer) are estimated to be approximately HK\$38.0 million. It is estimated that the total Listing expenses of approximately HK\$22.0 million will be incurred. Our Directors presently intend to apply such net proceeds as follows:

**(a) From the Listing Date to 31 March 2017**

<b>Proceeds usage</b>	<b>Implementation activities</b>	<b>Proceeds HK\$'000</b>
Business strategy — reserve more capital to satisfy our potential customers' requirement for surety bond	Undertake more projects should our Group be able to identify and secure suitable business opportunity, with approximately HK\$2.0 million earmarked for satisfying potential customers' requirement for surety bond	1,960
Business strategy — strengthen our scope of services — site formation	Additional staff costs ( <i>Note 1</i> ) — one project manager  — one Technically Competent Person	80
Reduce gearing ratio by repaying bank borrowings	Repayment of bank borrowings ( <i>Note 2</i> )	8,000

**(b) From 1 April 2017 to 30 September 2017**

<b>Proceeds usage</b>	<b>Implementation activities</b>	<b>Proceeds HK\$'000</b>
Business strategy — reserve more capital to satisfy our potential customers' requirement for surety bond	Undertake more projects should our Group be able to identify and secure suitable business opportunities, with approximately HK\$4.9 million earmarked for satisfying potential customers' requirement for surety bond	4,900
Business strategy — strengthen our scope of services — site formation	Additional staff costs for retaining the aforesaid additional project manager and technically competent person for the period	480

<b>FUTURE PLANS AND USE OF PROCEEDS</b>
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<b>Proceeds usage</b>	<b>Implementation activities</b>	<b>Proceeds <i>HK\$'000</i></b>
	Staff trainings (including providing internal technical, occupation health and safety trainings in relation to site formation works or subsidising staff to participate related external trainings ) costs	100

**(c) From 1 October 2017 to 31 March 2018**

<b>Proceeds usage</b>	<b>Implementation activities</b>	<b>Proceeds <i>HK\$'000</i></b>
Business strategy — reserve more capital to satisfy our potential customers' requirement for surety bond	Undertake more projects should our Group be able to identify and secure suitable business opportunities, with approximately HK\$4.9 million earmarked for satisfying potential customers' requirement for surety bond	4,900
Business strategy — strengthen our scope of services — site formation	Additional staff costs for retaining the aforesaid additional project manager and technically competent person for the period	480
	Staff trainings (including providing internal technical, occupation health and safety trainings in relation to site formation works or subsidising staff to participate related external trainings ) costs	100
Business strategy — support working capital requirement for our Group applying and maintaining M1 (Maintenance) building contractor license	Set aside, together with internal resources of our Group, to satisfy the working capital and employed capital requirement imposed by the Housing Authority	8,000

<b>FUTURE PLANS AND USE OF PROCEEDS</b>
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**(d) From 1 April 2018 to 30 September 2018**

<b>Proceeds usage</b>	<b>Implementation activities</b>	<b>Proceeds <i>HK\$'000</i></b>
Business strategy — reserve more capital to satisfy our potential customers' requirement for surety bond	Undertake more projects should our Group be able to identify and secure suitable business opportunities, with approximately HK\$3.9 million earmarked for satisfying potential customers' requirement for surety bond	3,920
Business strategy — strengthen our scope of services — site formation	Additional staff costs for retaining the aforesaid additional project manager and technically competent person for the period	480
	Staff trainings (including providing internal technical, occupation health and safety trainings in relation to site formation works or subsidising staff to participate related external trainings ) costs	100

**(e) From 1 October 2018 to 31 March 2019**

<b>Proceeds usage</b>	<b>Implementation activities</b>	<b>Proceeds <i>HK\$'000</i></b>
Business strategy — reserve more capital to satisfy our potential customers' requirement for surety bond	Undertake more projects should our Group be able to identify and secure suitable business opportunities, with approximately HK\$3.9 million earmarked for satisfying potential customers' requirement for surety bond	3,920
Business strategy — strengthen our scope of services — site formation	Additional staff costs for retaining the aforesaid additional project manager and technically competent person for the period	480

## FUTURE PLANS AND USE OF PROCEEDS

<b>Proceeds usage</b>	<b>Implementation activities</b>	<b>Proceeds HK\$'000</b>
	Staff trainings (including providing internal technical, occupation health and safety trainings in relation to site formation works or subsidising staff to participate related external trainings ) costs	100

*Notes:*

1. The type and number of additional staff are estimated based on the past experience of our Directors in dealing with contracts involving site formation works.
2. Our Group intends to repay a revolving factoring loans amounted to HK\$8,000,000 which carried an interest at Hong Kong dollar Best Lending Rate plus 1% per annum (6% during the Track Record Period) and a repayment on demand clause.

### **BASES AND ASSUMPTIONS**

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 March 2019:

- (a) Our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate.
- (b) There will be no material change in the funding requirement for each of our Group's future plans described in this prospectus from the amount as estimated by our Directors.
- (c) There will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates.
- (d) There will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of our Group operates or will operate or is incorporated.
- (e) The Public Offer will be completed in accordance with and as described in the section headed "Structure and conditions of the Public Offer" to this prospectus.
- (f) There will be no change in the effectiveness of the licenses, permits and qualifications obtained by our Group.
- (g) There will be no material changes in the bases or rates of taxation applicable to the activities of our Group.
- (h) Our Group will be able to retain our customers and suppliers.

## FUTURE PLANS AND USE OF PROCEEDS

- (i) Our Group will be able to retain key staff in the management and main operational departments.
- (j) There will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group.
- (k) Our Group will not be materially affected by the risk factors as set out under the section headed “Risk factors” in this prospectus.

### REASONS FOR THE LISTING

Our Directors believe the Listing will enhance our Group’s profile and the net proceeds from the Public Offer will strengthen our financial position and will enable our Group to implement our business strategies set out in the sections headed “Business — Business Strategies” in this prospectus and to capture the anticipated growth of the RMAA and fitting out market. The reasons of the Listing are set out herein below:

**(a) Facilitate the implementation of our business strategies to capture more market share in the industry**

Our Directors believe that there will be a steady growth of the RMAA market in Hong Kong. Based upon the F&S Report, due to the steady growth in the Hong Kong’s construction market and increasing public awareness of building safety since the Buildings Department issued Mandatory Building Inspection Scheme in 2012, the requirements of RMAA is likely to continue promote the further development of Hong Kong’s RMAA market. The revenue of the RMAA market in Hong Kong is expected to reach HK\$81.5 billion by 2020, with a CAGR of approximately 3.1% from 2015. According to the F&S Report, market revenue of both (i) renovation and maintenance works and (ii) alteration and addition works are likely to keep a steady growth. By the end of 2020, the revenue of renovation and maintenance works in Hong Kong’s RMAA market is likely to reach HK\$47.3 billion, with a CAGR of approximately 2.8% from 2015 while the value of alteration and addition works in Hong Kong RMAA’s market is projected to reach HK\$34.2 billion, with a CAGR of approximately 3.5% from 2015.

According to the F&S Report, the overall RMAA market in Hong Kong is well established and is considered as a fragmented market with the top five players contributing 7.0% in 2015. Our Group contributed 0.4% to the RMAA market in 2015 and our Directors recognise the need for further capital to expand our business in order to maintain our position in the competitive RMAA market in Hong Kong and capture more market share.

As such, our Directors believe that the Listing will allow us to capture more market share in the industry albeit intense competition within the industry by effective implementation of our business strategies.

## FUTURE PLANS AND USE OF PROCEEDS

### (b) Satisfy our capital requirements in business operations

#### *i. Capital required for undertaking additional contracts*

In line with common industry practice in Hong Kong, most of the projects require us to provide surety bonds for an amount of 10.0% of the total contract sum backed by personal guarantees or collateral in favour of our customers. The amount collateral for the surety bonds are subject to the requirements of the issuing banks or insurance companies. The surety bonds will be released upon completion of the project. During the Track Record Period, we undertook 33 projects with an aggregate awarded contract sum of approximately HK\$1,169.7 million, of which 17 projects, with an aggregate awarded contract sum of approximately HK\$1,087 million (representing approximately 92.9% of the aggregate awarded contract sum of the 33 projects undertaken by our Group during the Track Record Period), involved requirement of surety bonds. The surety bonds generally amount to 10% of total awarded contract sum from our customers. During the Track Record Period, we engaged the services of insurance companies that provide such surety bonds by pledging to them approximately 10% to 30% of the total surety bond amount required (generally the amount of the pledged deposit was equivalent to 1% to 3% of total awarded contract sum), depending on the terms of the respective surety bond, in the form of cash. The amount paid up for the surety bonds will be locked up for a prolonged period of time, depending on contract period. As illustrated, when several projects commence within a short period of time, our cash flow liquidity may be affected from time to time, particularly when we undertake large projects. The cash flow requirement at the initial stage of our projects and the collateral requirements imposed by the banks or insurance companies regarding the surety bonds limit the number of projects we could take on under our currently available resources. For each of the years ending 31 March 2017 and 31 March 2018, our Directors intend to apply approximately HK\$2.0 million and HK\$9.8 million of the net proceeds as pledged deposit for surety bond for the new projects with the total contract sums of approximately HK\$39.2 million and HK\$196.0 million which are assumed to be awarded to our Group.

For the six months ending 30 September 2017, our Directors intend to apply approximately HK\$4.9 million of the nets proceeds as pledged deposit for surety bond for the new projects with the total contract sums of approximately HK\$98.0 million are expected to be awarded to our Group.

Furthermore, to strengthen our scope of services to cover RMAA and fitting works involving site formation works, we intend to obtain the registration in the list of Registered Specialist Contractor (Sub-register of Site Formation Works Category) under the Buildings Department. Under section 8B(2) of the Buildings Ordinance, an applicant for registration as a Registered Specialist Contractor (Sub-register of Site Formation Works Category) must satisfy the Building Authority on the following aspects:

- (a) if it is a corporation, the adequacy of its management structure;
- (b) the appropriate experience and qualifications of its personnel;
- (c) its ability to have access to plant and resources; and

## FUTURE PLANS AND USE OF PROCEEDS

- (d) the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

An applicant must have at least one Authorised Signatory to act for it for the purposes of the Buildings Ordinance and one Technical Director to carry out certain duties including, among others, providing technical support for the execution of works and ensuring that the works are carried out in accordance with the Buildings Ordinance. The table below sets forth the requirements of Authorised Signatory and Technical Directors and our Group's plan:

Key personnel	Specific requirements on the key personnel	Our Group's plan
Technical director	<p>Must have:</p> <ol style="list-style-type: none"> <li>1. at least eight years of experience in managing a building contractor company or equivalent; or</li> <li>2. a university degree in relevant discipline or equivalent qualification and 5 years' experience in geotechnical works, of which 3 years' experience was in site formation works.</li> </ol>	<p>Our Directors consider that Mr. Leung is qualified to take up the role of the Technical Director, taking into account of his academic qualifications and industry experience.</p>
Authorised signatory	<p>Must have:</p> <ol style="list-style-type: none"> <li>1. a minimum of five years' experience engaged in geotechnical works, of which 3 years' experience was in local site formation;</li> <li>2. worked on at least seven local site formation projects in Hong Kong for an aggregate period of not less than 18 months; and</li> <li>3. at least a higher certificate, diploma or equivalent in the relevant field.</li> </ol>	<p>Our Directors consider that Mr. Law Fu Ting is qualified to take up the role of the Authorised Signatory, taking into account of his academic qualifications and industry experience.</p>

## FUTURE PLANS AND USE OF PROCEEDS

Under the Practice Note for Registered Contractors No.38, in addition to the above key personnel, the applicant is also required to demonstrate that it has employed appropriate qualified staff to assist the applicant and the above key personnel to execute, manage and supervise the building works and street works. Our Directors believe that one project manager and one Technically Competent Person are needed to assist our Group in the daily operation and supervision of site formation projects. The table below sets forth our Group's plan on the qualified staff to be employed:

Qualified staff	Specific requirements to be imposed on the qualified staff by our Group	Our Group's plan
Project manager	<p>Must have:</p> <ol style="list-style-type: none"> <li>1. technically competent person with minimum qualification at level T4 under the requirement of Building Department; and</li> <li>2. a university degree in civil/geotechnical engineering or as a registered professional engineer; and</li> <li>3. 4 years' experience in site formation works.</li> </ol>	<p>Our Directors consider that a monthly salary of HK\$50,000 should be offered to suitable candidate and our Group needs to employ one project manager for the registration as a Registered Specialist Contractor (Sub-register of Site Formation Works Category).</p>
Technically competent person	<p>Must have:</p> <ol style="list-style-type: none"> <li>1. technically competent person with minimum qualification at level T1 under the requirement of Building Department; and</li> <li>2. a certificate or diploma or higher in civil/structural/geotechnical engineering; and</li> <li>3. 2 years' experience in site formation works.</li> </ol>	<p>Our Directors consider that a monthly salary of HK\$30,000 should be offered to suitable candidate and our Group needs to employ one technically competent person for the registration as a Registered Specialist Contractor (Sub-register of Site Formation Works Category).</p>

Further, our current staff may need to further equip or refresh their knowledge in relation to the technical aspect and occupation health and safety aspect of site formation works. Our Group plans to utilise an amount of HK\$100,000 to provide training to our staff for each of the six-month period from 1 April 2017 to 31 March 2019. As such, we plan to increase our headcounts, which is the employment of one project manager and one technically competent person, and provide trainings for technical staff which incur additional expenditure of our Group. Our Group intends to submit application to the Buildings Department after employing sufficient qualified staff.

Being a private company, our financial resources rely largely on the financial strength of our Controlling Shareholders and bank facilities, which substantially restrict our Group's development and expansion plan. Our Directors therefore consider it beneficial for us to strengthen our capital base through raising funds under the Public Offer so that we would be able to tender for more projects with larger contract sums and in turn expand the scale of our business after the Listing.

## FUTURE PLANS AND USE OF PROCEEDS

Our financial standing is one of the major consideration factors for our customers during the tender assessment process. When we submit tenders to our customers, we are required to demonstrate that we have sufficient financial resources to undertake the project and we may be requested to provide additional documents such as audited accounts or working capital position for such purpose. For some larger projects, apart from our quality of works and reputation within the market, our customers will also assess whether our available financial resources are sufficient to manage the new project and our commitment on other projects on hand, when considering whether to award us the contracts. If we begin to plan for any fund raising only after we are invited to submit a tender, given the time required to raise funds against the time required to respond to the invitation to tender, we would most likely lose the business opportunity. Furthermore, our Directors consider that some of our major competitors in the RMAA and fitting out works industry in Hong Kong are listed on the Stock Exchange. It is expected that the listing status will help a company to strengthen the competitiveness and improve its financial standing. Our Directors believe that the Listing will allow us to level the playing field with our listed competitors while differentiate us from our private competitors. In light of this, our Directors are of the view that we must strengthen our financial position and enlarge our avenues for fundraising before we could pursue potential project opportunities for expanding the present scale of our business turnover.

### *ii. Capital required for obtaining Group M1 (Maintenance) building contractor license*

Our Directors believe that Housing Authority would be our preferred new customer as the financial risk faced by our Group is relatively lower since the projects initiated by the Housing Authority have higher payment credibility and lower default in payment risk. Therefore, we intend to expand our customer base by becoming a Group M1 (Maintenance) building contractor. Given our present scale of operation and our current projects on hand, one of the key factors affecting our ability to undertake additional larger sized projects is the amount of our available capital.

Under the Guide to Registration of Works Contractors and Property Management Services Providers issued by the Housing Authority, in order to be included in Group M1 under the Maintenance Works Category in the List of Building Contractors, contractors need to satisfy stringent requirements prescribed by the Housing Authority in relation to working and employed capital. For reference, a Group M1 (Maintenance) building contractor with probationary status is required, subject to the total value of outstanding works, to set aside HK\$14.8 million or 8% of the first HK\$950 million of outstanding works, whichever is higher as working capital. We are required to provide additional financial documentary evidence showing that we have adequate financial resources to meet the requirements from time to time. Therefore, we intend to utilise approximately HK\$8.0 million, representing approximately 21.1% of our net proceeds to support the working capital requirement for the Group M1 (Maintenance) building contractor license.

Based on our projects on hand as at 31 August 2016, our Group will be subject to the requirement of setting aside approximately HK\$44.9 million, being 8% of the closing value of backlog as at 31 August 2016, which amounted to approximately HK\$561.2 million, to satisfy the requirements prescribed by the Housing Authority in relation to working and employed capital for admitting to a Group M1 (Maintenance) building contractor with

## FUTURE PLANS AND USE OF PROCEEDS

probationary status under the Housing Authority. As at 31 August 2016, the net current assets of our Group amounted to approximately HK\$18.0 million to fulfill the requirement of setting aside approximately HK\$44.9 million, our Group therefore fell short of approximately HK\$26.9 million of working capital. Although our Group had unutilised bank borrowing facilities of approximately HK\$3.4 million and cash balance of approximately HK\$16.2 million as 31 December 2016, our Directors consider that our Group would have imminent needs to raise funds in order to fulfill the capital requirement for undertaking additional contracts and obtaining Group M1 (Maintenance) building contractor license as mentioned above. To expand our business, our Group has to enhance our available financial resources and strengthen our liquidity position in order to satisfy (i) the surety bond requirement for projects that may potentially be awarded to us; and (ii) the working capital requirement imposed by the Housing Authority which our Group fell short of approximately HK\$26.9 million as at 31 August 2016 in our planned application for Group M1 (Maintenance) building contractor license. Our Directors believe that the proceeds from the Listing will be used to support our Group, together with the internal resources, to implement our business strategies and compete for more projects in the future. In light of this, our Directors are of the view that the Listing is beneficial to our Group for strengthening our financial position to satisfy the requirements on obtaining the Group M1 (Maintenance) building contractor license.

**(c) Enhance our corporate profile, credibility, competitiveness and our ability to secure tender**

A listing status on the Stock Exchange can strengthen our Group's reputation and brand awareness to facilitate the expansion market share within the Hong Kong RMAA and fitting-out industry. A majority of our projects awarded to us during the Track Record Period were obtained through tendering while a few were obtained through quotation. The reputation within the industry, financial strength and credibility are three of the crucial factors that customers will take into account when assessing our tender submissions. As such, our Directors are of the view that having a listing status can enhance our Group's corporate profile, credibility and competitiveness with our potential business partners. The increased level of information transparency after Listing would also give our existing and prospective customers and suppliers the public access to our Group's corporate and financial information, which could generate further confidence in our Group among them. Our internal control and corporate governance practice will also be enhanced following the Listing. All of the above will in turn strengthen our competitiveness, increase our chance in securing future tenders and allow us to expand our market share.

**(d) Diversify shareholder base and enhance liquidity in trading of Shares**

The Listing will also improve the liquidity of the Shares which will be freely traded in the Stock Exchange when compared to the limited liquidity of the shares that are privately held before the Listing. Hence, our Directors consider that the Listing will enable us to diversify the risk of ownership among a large group of Shareholders, which is important as we continue to expand our business and potentially lead to a more liquid market in the trading of our Shares. Our Controlling Shareholders intend to enjoy the growth of our Group alongside our investors in the long run.

## FUTURE PLANS AND USE OF PROCEEDS

Although the amount of expenses for the Listing represents a significant proportion of the gross proceeds from the Listing, such expenses are non-recurring by nature for which we would not have to repay following completion of the Listing. For the reasons stated above, our Directors believe that the Listing is beneficial to us in the long run.

### **(e) Ease of raising funds in capital market for future business development**

Following the Listing, we will have access to the capital market, providing us extra avenues for future fundraising through the issuance of equity and debt securities for implementation of business strategies in the long-term. Whilst our Group was able to expand our business using internally generated funds and bank borrowings during the Track Record Period and had been able to repay bank borrowings and our trade payables when they fell due in the past, our Group still plans to seek equity or equity-linked financing instead of solely relying on bank financing due to the fact that the financing cost of bank borrowings are usually relatively higher for private companies and banks would usually require guarantees from our Shareholders for securing the bank borrowings. This significantly hinders the development and expansion of our business. By contrast, equity financing does not involve recurring interest expense and the financing process is usually simpler as it does not involve the process of negotiation, and therefore allows to adapt to market changes easier. In light of this, the reliance on bank borrowings to finance our operations will inevitably place significant financial burdens on our Group.

Further, in line with common industry practice in Hong Kong, our customers generally require us to take out surety bonds backed by personal guarantees from banks or insurance companies as security for the due performance and observance of our Group's obligations under the service contracts. Our Directors believe that the listing status will enable us to gain bargaining power in obtaining bank financing and surety bonds for our projects with more favourable terms in the future. Ultimately, the Listing will allow us to reduce our gearing ratio and our financial reliance on bank financing.

The Listing expenses borne by us represent approximately 36.6% of the gross proceeds of the Public Offer to be received by the Company based on the mid-point of the indicative Offer Price range. It should be emphasised that our Group did not pursue the Listing solely for the net proceeds from the Public Offer. Instead, the Listing provides a jump board that enables us to achieve long-term benefits for our continuing development. Therefore, our Directors consider the Listing exercise as a whole to be cost effective.

## UNDERWRITING

### **JOINT LEAD MANAGERS** *(in alphabetical order)*

Alliance Capital Partners Limited  
Upbest Securities Company Limited

### **UNDERWRITERS** *(in alphabetical order)*

Alliance Capital Partners Limited  
Harvest Securities Limited  
Hong Kong International Securities Limited  
Ping An Securities Limited  
Upbest Securities Company Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **Underwriting Agreement**

Pursuant to the Underwriting Agreement, our Company and the Selling Shareholders are offering the Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions set out in this prospectus, the Application Forms and the Underwriting Agreement at the Offer Price.

Subject to, among other conditions, the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and certain other conditions under the Underwriting Agreement being satisfied or waived on or before the dates and times as specified therein or such other dates as the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) may agree and in any event not later than the 30th day after the date of this prospectus, the Underwriters have severally agreed to subscribe or procure subscribers for, their respective applicable proportions of the Offer Shares on the terms and conditions set out in this prospectus and the Underwriting Agreement.

#### **Grounds for termination**

The Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) may in their sole and absolute discretion, upon giving written notice to our Company (for ourselves and on behalf of the Selling Shareholders), terminate the Underwriting Agreement with immediate effect if any of the following events occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on Monday, 13 March 2017):

- (a) there has come to the notice of the Sole Sponsor and the Joint Lead Managers:
  - (i) any statement contained in this prospectus, the formal notice, any submission(s), document(s) or information provided to the Sole Sponsor and the Joint Lead Managers, any announcement(s) or document(s) issued by our Company in connection with the Public Offer (including any supplement(s) or amendment(s) thereto) (the “**Public Offer Documents**”), considered by any of the Sole Sponsor or the Joint Lead Managers in its opinion was, when it was issued, or has become, or has been discovered to be untrue, incorrect, inaccurate or misleading in any material respect, or any forecasts, expressions

## UNDERWRITING

of opinion, intention or expectation expressed in any of the Public Offer Documents are not, in the opinion of the Sole Sponsor and the Joint Lead Managers, fair, honest and made in good faith and based on reasonable assumptions, when taken as a whole;

- (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom;
- (iii) any material breach of any of the warranties, obligations or undertakings given by or imposed upon any party to the Underwriting Agreement (other than any of the Underwriters) or any matter or event showing any of such warranties, obligations or undertakings to be untrue, incorrect, inaccurate or misleading or having been breached in any material respect when given or repeated;
- (iv) any matter, event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and Controlling Shareholders pursuant to the indemnity provisions under the Underwriting Agreement;
- (v) any event, series of events, matter or circumstance occurs or arises on or after the date of this prospectus and prior to 8:00 a.m. on the Listing Date, would have rendered any of the representations, warranties or undertakings contained in the Underwriting Agreement, in the opinion of the Sole Sponsor and the Joint Lead Managers, untrue, incorrect, inaccurate or misleading in any material respect;
- (vi) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued or sold under the Public Offer is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (vii) our Company withdraws the Public Offer Documents or the Public Offer;
- (viii) any expert whose consent is required for the issue of any of the Public Offer Documents with inclusion of its reports and/or letters (as the case may be) and references to its name in the form and context in which they appear has withdrawn or sought to withdraw its consent to the issue of any of the Public Offer Documents;
- (ix) any material adverse change or development involving a prospective change or development (whether or not permanent) in the earnings, business, operations, assets, liabilities, conditions, business affairs, prospects, profits, losses, results of operations or in the financial or trading position or performance of any member of our Group or the industry the Group is operating in or the macroeconomics relevant to the Group's operations; or
- (x) any information, matter or event which in the absolute opinion of the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) (A) is inconsistent in any material respect with any information or declaration provided by any

## UNDERWRITING

Director in the relevant Director's declaration, undertaking and acknowledgment (Appendix 6, Form A of the GEM Listing Rules), or (B) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group.

- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any change or development involving a prospective change, or any event or series of events, matters or circumstances likely to result in or represent any change or development involving a prospective change or development, in the local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market or exchange control conditions or any monetary or trading settlement system (including, without limitation, any conditions affecting stock and bond markets, money and foreign exchange markets, investment markets, credit markets and inter-bank markets, or a change in the system under which the value of the currency of Hong Kong is linked to that of the United States, or a material fluctuation in the exchange rate of Hong Kong dollar or Renminbi against any foreign currency, or any interruption in securities settlement or clearance or procedures) in or affecting Hong Kong, China, Japan, Singapore, the United States, the European Union (or any member thereof), BVI, the Cayman Islands or any other jurisdiction in which any Group Company is incorporated, operates or conducts business (collectively, the “**Relevant Jurisdictions**” and each a “**Relevant Jurisdiction**”); or
  - (ii) any event, or series of events, in the nature of force majeure including, without limitation, acts of government or orders of any court, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not was is or has been declared) or other states of emergency or calamity or crisis, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, epidemics, pandemics, outbreak of diseases (including, without limitation, SARS, H1N1, H5N1 and other related/mutated forms), labour disputes, strikes, lock-outs (whether or not covered by insurance), acts of God, fire, explosion, flooding, accident, interruption or delay in transportation in or affecting any Relevant Jurisdiction; or
  - (iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions;
  - (iv) the imposition of economic sanctions or changes in existing economic sanctions, in whatever form, directly or indirectly, by the United States or by the European Union (or any member thereof) on any of the Relevant Jurisdictions;
  - (v) the change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment laws or regulations or the implementation of any exchange control in any of the Relevant Jurisdictions;
  - (vi) any change or development involving a prospective change, or a materialization of, any of the risks set out in the section headed “Risk Factors” of this prospectus;

## UNDERWRITING

- (vii) any litigation, legal action, or claim or legal proceeding of any third party being threatened or instigated against any member of our Group, any Director or any of the Controlling Shareholders;
- (viii) any Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;
- (ix) the chairman of our Company vacating his office;
- (x) the commencement by any governmental, judicial or regulatory or political body or organisation of any action against any Director or member of our Group or an announcement by any governmental, judicial or regulatory or political body or organisation of any intention to take any such action;
- (xi) any contravention by any member of our Group of the Companies Ordinance, the Companies (WUMP) Ordinance, the Cayman Companies Law, the GEM Listing Rules, the SFO or any applicable law(s) and regulation(s);
- (xii) any prohibition on our Company and/or the Selling Shareholders from allotting or selling the Offer Shares pursuant to the terms of the Public Offer for whatever reason;
- (xiii) non-compliance of this prospectus (and/or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Public Offer with the GEM Listing Rules or any other applicable law(s) and regulation(s);
- (xiv) other than with the written approval of the Sole Sponsor and the Joint Lead Managers, the issue or requirement to issue by our Company of a supplement or amendment to any of the Public Offer Documents (and/or any other documents used in connection with the subscription or sale of the Offer Shares) pursuant to the Companies (WUMP) Ordinance, the Cayman Companies Law, the GEM Listing Rules, the SFO or any applicable law(s) and regulation(s), or any requirement or request of the Stock Exchange and/or the SFC;
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or any of the Controlling Shareholders or in respect of which any member of our Group or any of the Controlling Shareholders is liable prior to its stated maturity;
- (xvi) any loss or damage sustained by any member of our Group or any of the Controlling Shareholders (howsoever caused and whether or not the subject of any insurance or claim against any person);
- (xvii) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Group taken as a whole;

## UNDERWRITING

- (xviii) any petition or order is presented for the winding up or liquidation of any member of our Group or any of the Controlling Shareholders or any composition or arrangement made by any member of our Group or any of the Controlling Shareholders with its creditors or any scheme of arrangement entered into by any member of our Group or any of the Controlling Shareholders, or any resolution being or having been passed for the winding-up of any member of our Group or any of the Controlling Shareholders or the appointment of any provisional liquidator, receiver or manager over all or part of any material assets or undertaking of any member of our Group or any of the Controlling Shareholders, or anything analogous thereto having occurred in respect of any member of our Group or any of the Controlling Shareholders;
  
- (xix) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions or any jurisdiction where any of the stock exchanges referred to in paragraph (i) above is located; or
  
- (xx) the imposition of any moratorium, suspension, limitation or restriction on trading in shares or securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the New York Stock Exchange, the Nasdaq Global Market, the London Stock Exchange, or any other major international stock exchanges;

which each case or in aggregate in the opinion of the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters):

- (A) has or will or may have an adverse effect on the business, results of operations, financial, trading or other condition or prospects of the Company or the Group as a whole;
  
- (B) has or will have or may have an adverse effect on the success of the Public Offer or the level of applications under the Public Offer;
  
- (C) makes or will or may make it inadvisable, inexpedient or impracticable to proceed with or to market the Public Offer or the delivery of the Offer Shares on the terms and in the manner contemplated in this prospectus; or
  
- (D) has or will or may have the effect of making any part of the Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Offer or pursuant to the Underwriting Agreement.

## UNDERWRITING

### **Undertakings to the Stock Exchange pursuant to the GEM Listing Rules**

#### *Undertaking by our Company*

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that during the period commencing from the Listing Date up to the date falling six months from the Listing Date, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the prescribed circumstances as stated in Rule 17.29 of the GEM Listing Rules.

#### *Undertaking by Controlling Shareholders*

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that he/it shall not and shall procure that the relevant registered Shareholder(s) shall not:

- (a) during the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which he/it is shown by this prospectus to be the beneficial owners; or
- (b) during the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease either individually or taken together to be a Controlling Shareholder.

In addition to the undertakings pursuant to Rule 13.16A of the GEM Listing Rules, our Controlling Shareholders have further voluntarily and irrevocably undertaken to the Company for a further eighteen months commencing on the date on which the period referred to in (a) above expires, not to dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease either individually or taken together to be a Controlling Shareholder. The above undertakings are irrevocable and cannot be waived by the consent (whether written or not) of our Company. For details, please refer to the paragraphs headed “Undertakings pursuant to the Underwriting Agreement — Undertaking by our Controlling Shareholders” in this section below.

## UNDERWRITING

Our Controlling Shareholders have also undertaken to the Stock Exchange and our Company respectively that in the event that any of them:

- (1) pledge or charge any direct or indirect interest in relevant securities under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rules 13.18(4) of the GEM Listing Rules, at any time during the period which is twelve months from the Listing Date, he/it must inform our Company immediately thereafter, disposing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (2) having pledged or charged any interest in securities under sub-paragraph (1) above, he/it must inform our Company immediately in event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

Our Company will inform the Stock Exchange in writing as soon as we have been informed of matters referred in above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the GEM Listing Rules as soon as possible.

### **Undertakings pursuant to the Underwriting Agreement**

#### *Undertaking by our Company*

Pursuant to the Underwriting Agreement, our Company has undertaken to and covenanted with each of the Sole Sponsor, the Joint Lead Managers and the Underwriters that our Company shall not, and each of our executive Directors and Controlling Shareholders has undertaken to the Sole Sponsor, the Joint Lead Managers and the Underwriters that it/he will procure our Company not to, without the prior written consent of Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules), except for the issue of Shares under the Public Offer, the Capitalisation Issue or the grant of any option under the Share Option Scheme:

- (a) at any time within the period of six months from the Listing Date (the “**First Six-month Period**”), accept subscription for, pledge, mortgage, charge, offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or disposal of, either directly or indirectly, conditionally or unconditionally, or repurchase any of the share capital or other securities of the Company or any interest therein (including, but not limited to, any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such share capital or securities or any interest therein); or
- (b) enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such share capital, including but not limited to rights as to voting, dividend or distribution, in cash or otherwise; or
- (c) enter into any transaction with the same economic effect as any of the above transactions; or

## UNDERWRITING

- (d) publicly disclose or announce any intention to enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period);

whether any of the foregoing transactions described in (a), (b) or (c) above is to be settled by delivery of the Shares or other securities, in cash or otherwise and in the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the First Six-month Period, our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for the Shares or other securities of our Company.

### *Undertaking by our Controlling Shareholders*

Each of our Controlling Shareholders has irrevocably undertaken to and covenanted with each of our Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters that, unless in compliance with the requirements of the GEM Listing Rules, it/he shall not, and will procure that none of its/his/her associates or companies controlled by it/him or any nominee or trustee holding in trust for it/him not to:

- (a) at any time from the date of the Underwriting Agreement until the expiry of the First Six-month Period:
  - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any Shares or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, directly or indirectly by any of our Controlling Shareholders (including holding as a custodian) or with respect to which any of our Controlling Shareholders has beneficial interest or any interest therein or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution; or
  - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution; or
  - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
  - (iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i) or (ii) or (iii) above, whether any such transaction described in paragraph (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise;

## UNDERWRITING

- (b) at any time during the period of eighteen months after the First Six-month Period (the “**Eighteen-month Period**”), enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) or (a)(iv) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such sale, transfer or disposal, or upon the exercise or enforcement of such offer, pledge, charge, option, right, interests or encumbrances, our Controlling Shareholders (or any of them) will cease to own more than 50.1% of the issued Shares of our Company; and
- (c) until the expiry of the Eighteen-month Period, in the event that any of our Controlling Shareholders enters into the foregoing transactions or agrees or contracts to, or publicly announces any intention to enter into any such transactions, it/he will take all reasonable steps to ensure that it/he will not create a disorderly or false market in the Shares or other securities of our Company.

The above undertakings are irrevocable and cannot be waived by the consent (whether written or not) of our Company, the Sponsor, the Joint Lead Managers or the Underwriters.

Each of our Controlling Shareholders further undertakes to and covenants with each of our Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters that:

- (i) in the event that it/he pledges or charges any of its/his direct or indirect interest in the Shares or other securities of our Company or interests or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution in the securities of the Company pursuant to Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange under Rule 13.18(4) of the GEM Listing Rules at any time before the expiry of the Eighteen-month Period, it/he must inform our Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters in writing immediately, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) if and when it/he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in or rights attaching to the securities of the Company will be sold, transferred or disposed of, or it/he becomes aware that such pledgee or chargee has disposed of or intends to dispose such interest, it/he shall immediately inform the Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters in writing of such indications or disposal and the number of Shares or other securities of the Company so involved.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of announcement in accordance with Rule 17.43 of the GEM Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Sole Sponsor, the Joint Lead Managers and the Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreement and any breach by our Company or our Controlling Shareholders or our executive Directors of the Underwriting Agreement.

## UNDERWRITING

### **Commission and Expenses**

The Underwriters will receive an underwriting commission at the rate of 5.0% of the aggregate Offer Price payable for the Offer Shares, out of which sub-underwriting commission and other fees will be paid, and the Sole Sponsor will receive sponsorship fees in relation to the Listing and will be reimbursed for their expenses. Our Company and the Selling Shareholders will bear the underwriting commissions, SFC transaction levy and Stock Exchange trading fee payable by us in connection with the issue of the Offer Shares together with any applicable fees relating to the Public Offer, with reference to the number of New Shares and Sales Shares under the Public Offer, respectively.

### **JOINT LEAD MANAGERS' AND UNDERWRITERS' INTERESTS IN OUR COMPANY**

Save as provided for under the Underwriting Agreement and save as disclosed in this prospectus, none of the Joint Lead Managers and the Underwriters has any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any share in any member of our Group.

### **SOLE SPONSOR'S INTERESTS AND INDEPENDENCE**

Save as provided for under the Underwriting Agreement and save as disclosed in this prospectus, neither the Sole Sponsor nor any of its directors, employees and close associates is interested legally or beneficially in the shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Public Offer or has any other business relationship with our Group.

Neither the Sole Sponsor nor any of its directors, employees and close associates has accrued any material benefit as a result of the successful outcome of the Public Offer, other than the following:

- (a) by way of documentation and financial advisory fee to be paid to the Sole Sponsor for acting as the sponsor of the Public Offer ;
- (b) certain close associates of the Sole Sponsor whose usual and ordinary courses of businesses involved trading of and dealing in securities may derive missions from the trading of and dealing in securities of our Company or provide margin financing in connection thereto or purchase or sell securities of our Company or hold securities of our Company for investment purposes after the Listing;
- (c) in taking up the underwriting obligation under the Underwriting Agreement; and
- (d) by way of an underwriting commission to be paid to the Joint Lead Managers for acting as the Underwriters to the Public Offer pursuant to the Underwriting Agreement.

None of the directors and employees of the Sole Sponsor has any directorship in our Company or any other companies comprising our Group.

The Sole Sponsor satisfies the independence criteria applicable to the Sole Sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

## STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER

### THE PUBLIC OFFER

This prospectus is published in connection with the Public Offer. The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

267,000,000 Offer Shares will be made available under the Public Offer.

The Offer Shares will represent approximately 33.4% of the total Shares in issue immediately following the completion of the Public Offer.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Public Offer.

### Number of Offer Shares offered

We are offering 267,000,000 Shares (comprising 200,000,000 New Shares and 67,000,000 Sale Shares) for subscription by the public in Hong Kong at the Offer Price, representing 100% of the total number of Offer Shares available under the Public Offer.

The Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and other investors in Hong Kong. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions set out in the paragraph headed “Conditions of the Public Offer” below in this section.

### Allocation

Allocation of Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Offer Shares, and those applicants who are not successful in the ballot may not receive any Offer Shares.

The total number of Offer Shares available for subscription under the Public Offer is to be divided into two pools for allocation purposes: pool A and pool B. The Offer Shares in pool A will consist of 133,500,000 Offer Shares (being 50% of the total number of Offer Shares available under the Public Offer) and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate subscription price of HK\$5.0 million or less (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). The Offer Shares in pool B will consist of 133,500,000 Offer Shares (being 50% of the total number of Offer Shares available under the Public Offer) and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate subscription price of more than HK\$5.0 million and up to the total value of pool B (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors

## STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER

should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “subscription price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 133,500,000 Offer Shares, being the number of Offer Shares allocated to each pool, are liable to be rejected.

### Applications

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has made an application under the Public Offer to provide sufficient information to the Joint Lead Managers so as to allow them to identify the relevant applications under the Public Offer.

### PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the Public Offer will be fixed on the Price Determination Date, which is expected to be on or about Tuesday, 7 March 2017 and, in any event, not later than Wednesday, 8 March 2017, by agreement among the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders).

The Offer Price will not be more than HK\$0.35 per Offer Share and is expected to be not less than HK\$0.25 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Public Offer must pay, on application, the maximum Offer Price of HK\$0.35 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,535.27 for one board lot of 10,000 Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this prospectus.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of applications in the Public Offer, and with the consent of our Company (for ourselves and on behalf of the Selling Shareholders), reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the websites of our Company and the Stock Exchange at [www.chdev.com.hk](http://www.chdev.com.hk) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders), will be fixed within such revised Offer Price range.

## **STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER**

Before submitting applications for the Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Public Offer statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the level of applications in the Public Offer, the basis of allocations of the Offer Shares and the results of allocations in the Public Offer are expected to be made available through a variety of channels in the manner described in the section headed “How to Apply for the Offer Shares — 11. Publication of Results” in this prospectus.

### **UNDERWRITING**

The Public Offer is fully underwritten by the Underwriters under the terms and conditions of the Underwriting Agreement and is subject to the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) agreeing on the Offer Price.

The underwriting arrangements, including the Underwriting Agreement, are summarized in the section headed “Underwriting” in this prospectus.

### **CONDITIONS OF THE PUBLIC OFFER**

Acceptance of all applications for Offer Shares will be conditional on, among other things:

- (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus;
- (b) the Offer Price having been agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on or before the Price Determination Date; and
- (c) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the agreement,

in each case on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on or before Wednesday, 8 March 2017, the Public Offer will not proceed and will lapse.

## **STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER**

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Public Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by our Company on the websites of our Company and the Stock Exchange at [www.chdev.com.hk](http://www.chdev.com.hk) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Offer Shares” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Monday, 13 March 2017, provided that the Public Offer has become unconditional in all respects at or before that time.

### **DEALINGS IN THE SHARES**

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 13 March 2017, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 13 March 2017.

The Shares will be traded in board lots of 10,000 Shares each and the stock code of the Shares will be 8423.

## HOW TO APPLY FOR THE OFFER SHARES

### 1. HOW TO APPLY

To apply for the Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for the Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time (“**Regulation S**”)); and
- are not a legal or natural person of the PRC.

If you apply for the Offer Shares online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members’ names. If you are a body corporate, the Application Form must be signed by a duly authorized officer who must state his or her representative and stamped with your corporation’s chop.

If an application is made by a person under a power of attorney, our Company and the Joint Lead Managers, as our Company’s agent, may accept or reject it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney’s authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Offer Shares.

## HOW TO APPLY FOR THE OFFER SHARES

Unless permitted by the GEM Listing Rules, you cannot apply for any Offer Shares if:

- you are an existing beneficial owner of Shares and/or any of the subsidiaries of our Company;
- you are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- you are a core connected person of our Company, or a person who will become a core connected person of our Company immediately upon the completion of the Public Offer; or
- you are an associate and/or a close associate of any of the above.

### 3. APPLYING FOR OFFER SHARES

#### *Which Application Channel to Use*

For Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply only to the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk).

For Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### *Where to Collect the Application Forms*

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 28 February 2017 until 12:00 noon on Friday, 3 March 2017 from:

- (a) any of the following offices of the Underwriters:

<b>Underwriters</b>	<b>Address</b>
Alliance Capital Partners Limited	Room 1502–1503A Wing On House 71 Des Voeux Road Central Central Hong Kong
Harvest Securities Limited	Unit 2301, 23/F Far East Consortium Building 121 Des Voeux Road Central Hong Kong
Hong Kong International Securities Limited	23/F Arion Commercial Centre 2–12 Queen's Road West Hong Kong

## HOW TO APPLY FOR THE OFFER SHARES

<b>Underwriters</b>	<b>Address</b>
Ping An Securities Limited	Unit 02, 2/F, China Merchants Building 152–155 Connaught Road Central Hong Kong
Upbest Securities Company Limited	2/F Wah Kit Commercial Centre 302 Des Voeux Road Central Hong Kong

(b) any of the following branches of the receiving bank for the Public Offer:

Bank of China (Hong Kong) Limited

<b>District</b>	<b>Branch Name</b>	<b>Address</b>
<b>Hong Kong Island</b>	Bank of China Tower Branch	3/F, 1 Garden Road
	United Centre Branch	Shop 1021, United Centre, 95 Queensway
<b>Kowloon</b>	Jordan Road Branch	1/F, Sino Cheer Plaza, 23–29 Jordan Road
	Tseung Kwan O Plaza Branch	Shop 112–125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O
<b>New Territories</b>	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan
	Fo Tan Branch	No 2, 1/F Shatin Galleria, 18–24 Shan Mei Street, Fo Tan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 28 February 2017 until 12:00 noon on Friday, 3 March 2017 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

### *Time for Lodging Application Forms*

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — CHI HO DEVELOPMENT PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above at the following times:

<b>Tuesday, 28 February 2017</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Wednesday, 1 March 2017</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Thursday, 2 March 2017</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Friday, 3 March 2017</b>	—	<b>9:00 a.m. to 12:00 noon</b>

## HOW TO APPLY FOR THE OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 3 March 2017, the last day for applications, or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying to the **HK eIPO White Form** Service Provider, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorize our Company, the Sole Sponsor and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- (b) agree to comply with the Articles, the Companies Ordinance and the Companies (WUMP) Ordinance;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Public Offer set out in this prospectus;
- (f) agree that none of our Company, the Selling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of their or the Company’s respective directors, officers or representatives or any other person involved in the Public Offer is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- (g) agree to disclose to our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of their or the Company’s respective directors, officers or representatives or any other person involved in the Public Offer any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;
- (h) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Selling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of their or the Company’s respective directors, officers or representatives or any other person involved in the Public

## HOW TO APPLY FOR THE OFFER SHARES

Offer will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus and the Application Form;

- (i) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (j) agree that your application will be governed by the laws of Hong Kong;
- (k) represent, warrant and undertake that (i) you understand that the Offer Shares have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (l) warrant that the information you have provided is true and accurate;
- (m) agree to accept the Offer Shares applied for or any lesser number allocated to you under the application;
- (n) authorize (i) our Company to place your name(s) or the name of HKSCC Nominees on the register of members of our Company as the holder(s) of any Offer Shares allocated to you and (ii) our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;
- (o) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (p) understand that our Company, the Directors, the Sole Sponsor, the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Offer Shares to you and that you may be prosecuted for making a false declaration;
- (q) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider by you or by any one as your agent or by any other person; and
- (r) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as its agent.

## HOW TO APPLY FOR THE OFFER SHARES

### *Additional Instructions for YELLOW Application Form*

You should refer to the **YELLOW** Application Form for details.

### **5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE**

#### *General*

Individuals who meet the criteria in “— *Who Can Apply*” above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the HK eIPO White Form Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** Service Provider.

#### *Time for Submitting Applications under the HK eIPO White Form Service*

You may submit your application through the **HK eIPO White Form** service through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last day for applications) from 9:00 a.m. on Tuesday, 28 February 2017 until 11:30 a.m. on Friday, 3 March 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 3 March 2017, the last day for applications, or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

#### *No Multiple Applications*

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for the Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

#### *Section 40 of the Companies (WUMP) Ordinance*

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

## HOW TO APPLY FOR THE OFFER SHARES

### 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### *General*

CCASS Participants may give electronic application instructions to apply for the Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer Service Centre  
1/F., One & Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and the Hong Kong Share Registrar.

## HOW TO APPLY FOR THE OFFER SHARES

### *Giving Electronic Application Instructions to HKSCC via CCASS*

Where you have given **electronic application instructions** to apply for the Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and
- (b) HKSCC Nominees will do the following things on your behalf:
  - agree that the Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Offer Shares applied for or any lesser number allocated;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
  - confirm that you understand that our Company, the Directors, the Sole Sponsor and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to allocate any of the Offer Shares to you and that you may be prosecuted for if you make a false declaration;
  - authorize our Company to place HKSCC Nominees' name on the register of members of our Company as the holder of the Offer Shares allocated to you and such other registers as required under the Articles, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;

## HOW TO APPLY FOR THE OFFER SHARES

- agree that none of our Company, the Selling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of their or the Company's respective directors, officers or representatives or any other person involved in the Public Offer is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- agree to disclose to our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of their or the Company's respective directors, officers or representatives or any other person involved in the Public Offer any personal data which they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company, and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Offer Shares;
- agree with our Company and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our Company and on behalf of each

## HOW TO APPLY FOR THE OFFER SHARES

Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Articles and the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

### *Effect of Giving Electronic Application Instructions to HKSCC via CCASS*

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### *Minimum Purchase Amount and Permitted Numbers*

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Offer Shares. Instructions for more than 10,000 Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Offer Shares will be considered and any such application is liable to be rejected.

### *Time for Inputting Electronic Application Instructions*

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 28 February, 2017	—	9:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Wednesday, 1 March, 2017	—	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Thursday, 2 March, 2017	—	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Friday, 3 March, 2017	—	8:00 a.m. <sup>(1)</sup> to 12:00 noon

#### *Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

## HOW TO APPLY FOR THE OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 28 February 2017 until 12:00 noon on Friday, 3 March 2017 (24 hours daily, except on the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 3 March 2017, the last day for applications, or such later time as described in “10. Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

### *No Multiple Applications*

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### *Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance*

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### *Personal Data*

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of their or the Company’s respective directors, officers or representatives or any other person involved in the Public Offer about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## **7. WARNING FOR ELECTRONIC APPLICATIONS**

The application for the Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day to make your electronic application. Our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of their or the Company’s respective directors, officers or representatives or any other person involved in the Public Offer and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allocated any Offer Shares.

## HOW TO APPLY FOR THE OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. If CCASS Investor Participants have problems in the connection to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 3 March 2017, the last day for applications, or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees", you must include:

- an account number; or
- some other identification code.

for **each** beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

**All** of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

## HOW TO APPLY FOR THE OFFER SHARES

### 9. HOW MUCH ARE THE OFFER SHARES

The maximum Offer Price is HK\$0.35 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 10,000 Offer Shares, you will pay HK\$3,535.27.

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Shares.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Offer Shares under the terms and conditions set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 10,000 Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure and Conditions of the Public Offer” in this prospectus.

### 10. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 3 March 2017. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 3 March 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made.

## HOW TO APPLY FOR THE OFFER SHARES

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of applications in the Public Offer and the basis of allocations of the Offer Shares on Friday, 10 March 2017 on the websites of our Company at [www.chdev.com.hk](http://www.chdev.com.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of our Company at [www.chdev.com.hk](http://www.chdev.com.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk), respectively, by no later than Friday, 10 March 2017;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID function” on a 24-hour basis from 8:00 a.m. on Friday, 10 March 2017 to 12:00 midnight on Thursday, 16 March 2017;
- from the telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 10 March 2017 to Wednesday, 15 March 2017 on a business day; and
- in the special allocation results booklets which will be available for inspection during the opening hours of the receiving bank designated branches referred to above from Friday, 10 March 2017 to Tuesday, 14 March 2017.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Offer Shares if the conditions of the Public Offer are satisfied and the Public Offer is not otherwise terminated. Further details are set out in the section headed “Structure and Conditions of the Public Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED OFFER SHARES

You should note the following situations in which the Offer Shares will not be allocated to you:

**(a) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

## HOW TO APPLY FOR THE OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

**(b) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(c) If the allotment of the Offer Shares is void:**

The allotment of the Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(d) If:**

- you make multiple applications or suspected multiple applications;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk);
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- our Company or the Joint Lead Managers believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations;

## HOW TO APPLY FOR THE OFFER SHARES

- you apply for more than 50% of the Offer Shares initially offered under the Public Offer; or
- the Underwriting Agreement does not become unconditional or is terminated.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Public Offer as set out in the section headed “Structure and Conditions of the Public Offer — Conditions of the Public Offer” in this prospectus are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, 10 March 2017.

### 14. DISPATCH/COLLECTION OF SHARE CERTIFICATES/REFUND CHEQUES

You will receive one Share certificate for all Offer Shares allocated to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE or YELLOW** Application Form(s), subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) Share certificate(s) for all the Offer Shares allocated to you (for applicants on **YELLOW** Application Forms, Share certificate(s) for the Offer Shares allocated to you will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the maximum Offer Price paid on application in the event that the Offer Price is less than the maximum Offer Price paid on application (including brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

## HOW TO APPLY FOR THE OFFER SHARES

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificate(s) are expected to be posted on or before Friday, 10 March 2017. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 13 March 2017, provided that the Public Offer has become unconditional in all respects at or before that time and that the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

### **Personal Collection**

#### ***(a) If you apply using a WHITE Application Form:***

- If you apply for 1,000,000 Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) (where applicable) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 10 March 2017.
- If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorized representative must provide a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.
- If you do not collect your refund cheque(s) and/or Share certificate(s) personally (where applicable) within the time specified for collection, they will be dispatched promptly to you to the address specified in your Application Form by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Offer Shares, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Friday, 10 March 2017 by ordinary post and at your own risk.

#### ***(b) If you apply using a YELLOW Application Form:***

- If you apply for 1,000,000 Offer Shares or more and have provided all information required by your Application Form, please follow the same instructions as described above. If you have applied for less than 1,000,000 Offer Shares, your refund cheque(s) will be sent to the address specified in the Application Form on or before Friday, 10 March 2017 by ordinary post and at your own risk.
- If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or your designated CCASS

## HOW TO APPLY FOR THE OFFER SHARES

Participant's stock account as stated in your Application Form on Friday, 10 March 2017 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant), for Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Offer Shares allotted to you with that CCASS Participant.
- If you apply as a CCASS Investor Participant, our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer on Friday, 10 March 2017 in the manner as described in "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 10 March 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System.

*(c) If you apply through HK eIPO White Form service:*

- If you apply for 1,000,000 Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 10 March 2017, or any other place or date notified by our Company in the newspapers as the place or date of dispatch/ collection of Share certificates/e-Auto Refund payment instructions/refund cheques.
- If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, 10 March 2017 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

## HOW TO APPLY FOR THE OFFER SHARES

(d) *If you apply by giving electronic application instructions to HKSCC via CCASS:*

### *Allocation of Offer Shares*

- For the purposes of allocating Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 10 March 2017 or on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Offer Shares in the manner as described in the paragraph headed "11. Publication of Results" above on Friday, 10 March 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 10 March 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 10 March 2017. Immediately following the credit of the Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC

## HOW TO APPLY FOR THE OFFER SHARES

transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 10 March 2017.

### **15. ADMISSION OF THE SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

# Deloitte.

# 德勤

35/F, One Pacific Place  
88 Queensway  
Hong Kong

28 February 2017

The Directors

**Chi Ho Development Holdings Limited**

**Alliance Capital Partners Limited**

Dear Sirs,

We set out below our report on the financial information relating to Chi Ho Development Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the two years ended 31 March 2016 and the five months ended 31 August 2016 (the “Track Record Period”) (the “Financial Information”) for inclusion in the prospectus of the Company dated 28 February 2017 (the “Prospectus”) in connection with the proposed listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company, which acts as an investment holding company, was incorporated in the Cayman Islands as an exempted company with limited liability on 18 October 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the “Reorganisation”), as more fully explained in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company became the holding company of the Group on 11 November 2016.

At the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital	Equity interest attributable to the Group as at			Principal activities	
				31 March 2015	31 August 2016	Date of this report		
Idea Lion Limited* (“Idea Lion”)	The British Virgin Islands (the “BVI”) 26 September 2016	The BVI	United States dollar (“US\$”) 10	N/A	N/A	N/A	100%	Investment holding
Diamond Step Ventures Limited* (“Diamond Step”)	The BVI 26 September 2016	The BVI	US\$22	N/A	N/A	N/A	100%	Investment holding

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital	Equity interest attributable to the Group as at				Principal activities
				31 March		31 August	Date of	
				2015	2016	2016	this report	
Fulam Construction Engineering Company Limited ("Fulam Construction")	Hong Kong 3 September 1999	Hong Kong	Hong Kong dollar ("HK\$") 2,200,000	100%	100%	100%	100%	Building renovation and construction work
Fulam Engineering Hong Kong Company Limited ("Fulam Engineering")	Hong Kong 4 June 2012	Hong Kong	HK\$10	100%	100%	100%	100%	Inactive

\* Directly held by the Company

All companies comprising the Group have adopted 31 March as their financial year end date, except for Fulam Engineering, the financial year end date of which is 31 December.

No audited financial statements have been prepared for the Company and its subsidiaries incorporated in the BVI since they were incorporated in jurisdictions where there are no statutory audit requirements.

The statutory financial statements of Fulam Construction and Fulam Engineering for the years ended 31 March 2015 and 31 December 2014, respectively, were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Messrs. Bentleys C.P.A. Company Limited, Certified Public Accountants registered in Hong Kong. Fulam Construction and Fulam Engineering applied the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, in their statutory financial statements for the years ended 31 March 2016 and 31 December 2015, respectively, which were audited by us.

For the purpose of this report, the directors of Fulam Construction have prepared the financial statements of Fulam Construction for the five months ended 31 August 2016 and the directors of Fulam Engineering have prepared the financial statements of Fulam Engineering for the eight months ended 31 August 2016 in accordance with HKFRSs issued by the HKICPA (collectively referred to as the "August 2016 Financial Statements"). These financial statements together with the statutory financial statements of Fulam Construction for each of the two years ended 31 March 2016 and the statutory financial statements of Fulam Engineering for each of the two years ended 31 December 2015 are collectively referred to as the "Underlying Financial Statements". The August 2016 Financial Statements have been audited by us in accordance with the Hong Kong Standards on Auditing issued by the HKICPA. We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 1 of Section A below, after making adjustments as the directors of the Company consider appropriate for the purpose of preparing this report for the inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the respective companies who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the combined financial position of the Group as at 31 March 2015, 31 March 2016 and 31 August 2016, and of the combined financial performance and combined cash flows of the Group during the Track Record Period.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the five months ended 31 August 2015 together with the notes thereon (the "August 2015 Financial Information") have been extracted from the Group's unaudited combined financial information for the same period, which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the August 2015 Financial Information 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. Our review of the August 2015 Financial Information consists of making enquiries, primarily of persons responsible for financial and account 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 of 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 on the August 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the August 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

## A. FINANCIAL INFORMATION

## Combined Statements of Profit or Loss and Other Comprehensive Income

	NOTES	Year ended 31 March		Five months ended 31 August	
		2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
				(Unaudited)	
Revenue	5	163,447	279,674	167,638	95,195
Cost of sales		<u>(146,009)</u>	<u>(249,441)</u>	<u>(153,968)</u>	<u>(82,555)</u>
Gross profit		17,438	30,233	13,670	12,640
Bank interest income		1	2	1	1
Administrative expenses		(6,632)	(10,279)	(3,409)	(4,347)
Finance costs	6	<u>(1,467)</u>	<u>(1,947)</u>	<u>(848)</u>	<u>(693)</u>
Profit before taxation		9,340	18,009	9,414	7,601
Income tax expense	7	<u>(1,563)</u>	<u>(3,012)</u>	<u>(1,554)</u>	<u>(1,255)</u>
Profit and total comprehensive income for the year/period	8	<u><u>7,777</u></u>	<u><u>14,997</u></u>	<u><u>7,860</u></u>	<u><u>6,346</u></u>

## Combined Statements of Financial Position

		As at 31 March		As at 31
		2015	2016	August
	NOTES	HK\$'000	HK\$'000	2016
				HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment	13	354	8,613	9,219
Deposits paid for acquisition of property, plant and equipment		773	87	—
Deposits for surety bonds	14	—	9,898	9,898
		<u>1,127</u>	<u>18,598</u>	<u>19,117</u>
<b>Current assets</b>				
Trade and other receivables	14	65,097	51,853	57,802
Amounts due from customers for contract work	15	15,202	22,742	42,281
Amounts due from directors	17	7,422	12,587	16,748
Pledged bank deposits	18	1,686	1,686	1,686
Bank balances and cash	18	590	5,843	13,864
		<u>89,997</u>	<u>94,711</u>	<u>132,381</u>
<b>Current liabilities</b>				
Trade and other payables	19	56,569	40,173	59,617
Tax payable		968	2,620	3,875
Bank overdrafts	18	2,985	34	—
Bank borrowings	20	18,340	39,921	50,728
Obligations under finance leases	21	153	53	115
		<u>79,015</u>	<u>82,801</u>	<u>114,335</u>
<b>Net current assets</b>		<u>10,982</u>	<u>11,910</u>	<u>18,046</u>
<b>Total assets less current liabilities</b>		<u>12,109</u>	<u>30,508</u>	<u>37,163</u>
<b>Capital and reserve</b>				
Share capital	23	2,200	2,200	2,200
Retained profits		9,550	23,520	29,866
		<u>11,750</u>	<u>25,720</u>	<u>32,066</u>
<b>Non-current liabilities</b>				
Deposits received	19	306	4,788	4,788
Obligations under finance leases	21	53	—	309
		<u>359</u>	<u>4,788</u>	<u>5,097</u>
		<u>12,109</u>	<u>30,508</u>	<u>37,163</u>

## Combined Statements of Changes in Equity

	<b>Share capital</b> <i>HK\$'000</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2014	1,200	1,773	2,973
Profit and total comprehensive income for the year	—	7,777	7,777
Issue of new shares ( <i>note 23</i> )	<u>1,000</u>	<u>—</u>	<u>1,000</u>
At 31 March 2015	2,200	9,550	11,750
Profit and total comprehensive income for the year	—	14,997	14,997
Dividend recognised as distribution ( <i>note 9</i> )	<u>—</u>	<u>(1,027)</u>	<u>(1,027)</u>
At 31 March 2016	2,200	23,520	25,720
Profit and total comprehensive income for the period	<u>—</u>	<u>6,346</u>	<u>6,346</u>
At 31 August 2016	<u><u>2,200</u></u>	<u><u>29,866</u></u>	<u><u>32,066</u></u>
<b>Unaudited</b>			
At 1 April 2015	2,200	9,550	11,750
Profit and total comprehensive income for the period	<u>—</u>	<u>7,860</u>	<u>7,860</u>
At 31 August 2015	<u><u>2,200</u></u>	<u><u>17,410</u></u>	<u><u>19,610</u></u>

## Combined Statements of Cash Flows

	Year ended 31 March		Five months ended 31 August	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
<b>OPERATING ACTIVITIES</b>				
Profit before taxation	9,340	18,009	9,414	7,601
Adjustments for:				
Bank interest income	(1)	(2)	(1)	(1)
Depreciation of property, plant and equipment	296	471	82	313
Finance costs	<u>1,467</u>	<u>1,947</u>	<u>848</u>	<u>693</u>
Operating cash flows before movements in working capital	11,102	20,425	10,343	8,606
(Increase) decrease in trade and other receivables	(19,960)	3,346	(27,764)	(5,949)
(Increase) decrease in amounts due from customers for contract work	(3,363)	(7,540)	3,195	(19,539)
Increase (decrease) in trade and other payables	<u>17,398</u>	<u>(11,914)</u>	<u>6,519</u>	<u>19,444</u>
Cash generated from (used in) operations	5,177	4,317	(7,707)	2,562
Hong Kong Profits Tax paid	<u>(16)</u>	<u>(1,360)</u>	<u>—</u>	<u>—</u>
<b>NET CASH FROM (USED IN)</b>				
<b>OPERATING ACTIVITIES</b>	<u>5,161</u>	<u>2,957</u>	<u>(7,707)</u>	<u>2,562</u>
<b>INVESTING ACTIVITIES</b>				
Advances to directors	(6,335)	(14,782)	(2,116)	(7,326)
Deposits paid for acquisition of property, plant and equipment	(773)	(87)	—	—
Purchase of property, plant and equipment	(66)	(7,957)	(7,545)	(332)
Repayment from directors	2,693	8,590	6,286	3,165
Interest received	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>
<b>NET CASH USED IN INVESTING</b>				
<b>ACTIVITIES</b>	<u>(4,480)</u>	<u>(14,234)</u>	<u>(3,374)</u>	<u>(4,492)</u>

	Year ended 31 March		Five months ended 31 August	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
<b>FINANCING ACTIVITIES</b>				
Repayment of bank borrowings	(116,253)	(244,297)	(133,174)	(73,663)
Interest paid	(1,467)	(1,947)	(848)	(693)
Repayment of obligations under finance leases	(174)	(153)	(63)	(129)
New bank borrowings raised	116,469	265,878	155,908	84,470
Proceeds from issue of new shares	<u>1,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<u>(425)</u>	<u>19,481</u>	<u>21,823</u>	<u>9,985</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	256	8,204	10,742	8,055
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD</b>	<u>(2,651)</u>	<u>(2,395)</u>	<u>(2,395)</u>	<u>5,809</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD</b>	<u><u>(2,395)</u></u>	<u><u>5,809</u></u>	<u><u>8,347</u></u>	<u><u>13,864</u></u>
Represented by:				
Bank balances and cash	590	5,843	8,347	13,864
Bank overdrafts	<u>(2,985)</u>	<u>(34)</u>	<u>—</u>	<u>—</u>
	<u><u>(2,395)</u></u>	<u><u>5,809</u></u>	<u><u>8,347</u></u>	<u><u>13,864</u></u>

**NOTES TO THE FINANCIAL INFORMATION****1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 October 2016 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 "Corporate Information" in the Prospectus. The Company is ultimately controlled by two individuals, namely Mr. Leung Ka Ho, Raymond ("Mr. Leung") and Mr. Ho Chi Kwan ("Mr. Ho") (collectively referred to as the "Controlling Shareholders"), who have always been the Controlling Shareholders of the companies now comprising the Group throughout the Track Record Period. Each of the Controlling Shareholders has reiterated their agreement in writing that, in respect of the arrival and/or execution of all decisions, including but not limited to financial, management and operational matters of the Group's subsidiaries, they have always been acting in concert.

The Financial Information is presented in HK\$ which is the same as the functional currency of the Company.

In preparation for the proposed listing of the Company's shares on the Stock Exchange, the companies now comprising the Group underwent the Reorganisation which principally involves the following steps:

- (i) Sharp Talent Holdings Limited ("Sharp Talent") and Diamondfield Holdings Limited ("Diamondfield") were incorporated by Mr. Leung and Mr. Ho on 4 July 2016 and 25 August 2016, respectively, as limited liability companies;
- (ii) Idea Lion and Diamond Step were incorporated on 26 September 2016, as limited liability companies by the Controlling Shareholders and subsequently on 11 October 2016, one subscriber share of US\$1 each for Idea Lion and Diamond Step, was allotted and issued to Mr. Leung;
- (iii) Idea Lion acquired the entire equity interest of Fulam Engineering on 1 November 2016 by issuing nine new shares and Diamond Step acquired the entire equity interest of Fulam Construction on 1 November 2016 by issuing twenty-one new shares, to the Controlling Shareholders; and
- (iv) Incorporation of the Company, which was owned by Sharp Talent and Diamondfield, as to 68.18% and 31.82%, respectively, to acquire the entire equity interest in Idea Lion and Diamond Step from the Controlling Shareholders.

Upon completion of the Reorganisation on 11 November 2016, the Company became a holding company of the companies now comprising the Group and Fulam Construction and Fulam Engineering are controlled by the Controlling Shareholders before and after the Reorganisation.

Accordingly, the Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting Under Common Control Combinations" issued by the HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period include the financial performance, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective date of incorporation, where this is a shorter period. The combined statements of financial position of the Group as at 31 March 2015 and 2016 and 31 August 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period have been prepared to present the financial performance 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 or since the respective dates of incorporation, which is a shorter period.

The combined statements of financial position of the Group as at 31 March 2015 and 2016 and 31 August 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates, taken into account the respective dates of incorporation.

The Financial Information contained in this Prospectus does not constitute the statutory annual financial statements of Fulam Construction for any of the years ended 31 March 2015 and 2016 and that of Fulam Engineering for the year ended 31 December 2015, but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (the "CO") is as follows:

As Fulam Construction and Fulam Engineering are private companies, they are not required to deliver their financial statements to the Registrar of Companies, and have not done so.

The auditors of Fulam Construction and Fulam Engineering have reported on these financial statements for the years ended 31 March 2015 and 2016 and for the year ended 31 December 2015, respectively. The auditor's reports were unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the CO.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the 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 April 2016 throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new standards and amendments that are not yet effective. The Group has not early adopted these new standards and amendments.

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Shared-based Payment Transactions <sup>2</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

### HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Group is in relation to the impairment of financial assets, of which HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments as at 31 August 2016, the directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact of the Group's financial assets. In particular, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

**HKFRS 16 “Leases”**

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in Note 26, total operating lease commitment of the Group in respect of office premise and car parks as at 31 August 2016 amounted to HK\$9,000, the directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results and these lease commitments may be required to be recognised in the statement of financial position in future as right-of-use assets and lease liabilities.

**HKFRS 15 “Revenue from Contracts with Customers”**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces 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

Under HKFRS 15, an entity 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 customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Based on preliminary analysis, the management of the Group anticipates that the adoption of HKFRS 15 in the future will have no significant impact on recognition of revenue from building renovation and construction work.

The directors of the Company anticipate that the application of other new standards and amendments will have no material impact on the financial statements of the Group in the future.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the accounting policies set out below which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosure required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the CO.

The Financial Information has been prepared on the historical cost basis. 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 Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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 combination**

The 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.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra group assets, 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 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 book 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.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

The Group's policy for recognition of revenue from contracts is described in the accounting policy for "building renovation and construction work" below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Building renovation and construction work**

When the outcome of a building renovation and construction work can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on either the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, or the surveys of work performed to date relative to the estimated total contract revenue, to the extent that the management of the Group would consider that be more representative of stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a building renovation and construction work cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the combined statements of financial position as a liability. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade and other receivables.

**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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

*Leasehold land and building*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the combined statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

**Retirement benefits costs**

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit before taxation' as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable 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 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 investments 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 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

### **Property, plant and equipment**

Property, plant and equipment including leasehold land and building (classified as finance leases) held for use for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Impairment of tangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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 cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Financial instruments**

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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

***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 and determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from directors, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables, where the recognition of interest would be immaterial.

***Impairment of financial assets***

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets 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.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. 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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Financial liabilities*

Financial liabilities, including trade and other payables, bank overdrafts and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

#### *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 cost 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.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

***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. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**4. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is 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 on-going basis. Revision 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 following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the forthcoming twelve months.

**Estimated outcome of building renovation and construction works**

The Group recognises contract revenue and cost of a building renovation and construction work according to the management's estimation of the progress and outcome of the project. Estimated revenue is determined in accordance with the terms set out in the relevant contracts or, in case of variation orders, based on contract terms or other forms of agreements. Estimated contract cost, which mainly comprises direct labour costs, subcontracting charges and costs of materials, is variable and estimated by the management of the Group on the basis of estimated costs of direct labour, subcontracting charges and costs of materials from time to time based on quotations provided by the major subcontractors/suppliers/vendors involved and the experience of the management of the Group. Notwithstanding that the management of the Group frequently reviews and revises the estimates of both estimated revenue and costs for the building renovation and construction work as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

**Estimated impairment of trade and retention receivables**

The management of the Group estimates the recoverability of trade and retention receivables at the end of each reporting period. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate compounded at initial recognition). Where the actual future cash flows are less than expected, an impairment loss may arise.

As at 31 March 2015 and 2016 and 31 August 2016, the carrying amounts of trade and retention receivables of the Group were HK\$59,580,000, HK\$48,670,000 and HK\$54,525,000, respectively.

## 5. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group in respect of the building renovation and construction contracts from external customers. The Group's operations are solely derived from the building renovation and construction services in Hong Kong during the Track Record Period. For the purposes of resources allocation and performance assessment, the chief operating decision maker (the "CODM"), being the Controlling Shareholders of the Group, reviews the overall results and financial position of the Group as a whole prepared based on the same set of accounting policies as set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

### Geographical information

The Group's revenue is solely generated from, and non-current assets are located in, Hong Kong, based on the location of the relevant entities' operations.

### Information about major customers

Customers individually contributing over 10% of the Group's revenue during the Track Record Period are as follows:

	Year ended 31 March		Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Customer A	22,460	—	—	N/A <sup>1</sup>
Customer B	50,981	35,215	22,135	N/A <sup>1</sup>
Customer C	20,366	132,395	115,125	N/A <sup>1</sup>
Customer D	20,307	N/A <sup>1</sup>	N/A <sup>1</sup>	—
Customer E	—	28,117	—	20,920
Customer F	—	N/A <sup>1</sup>	—	10,383
Customer G	—	N/A <sup>1</sup>	—	16,828
Customer H	—	N/A <sup>1</sup>	—	16,167
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

<sup>1</sup> Revenue from the customer is less than 10% of the total revenue of the Group.

## 6. FINANCE COSTS

	Year ended 31 March		Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Interests on:				
Factoring of trade receivables	283	784	265	198
Bank borrowings	1,039	1,069	543	486
Bank overdrafts	130	87	36	4
Obligations under finance leases	15	7	4	5
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>1,467</u>	<u>1,947</u>	<u>848</u>	<u>693</u>

## 7. INCOME TAX EXPENSE

	Year ended 31 March		Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Hong Kong Profits Tax — Current year	1,104	3,012	1,554	1,255
Deferred tax ( <i>note 22</i> )	<u>459</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,563</u>	<u>3,012</u>	<u>1,554</u>	<u>1,255</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period.

The income tax expense during the Track Record Period can be reconciled to profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Profit before taxation	<u>9,340</u>	<u>18,009</u>	<u>9,414</u>	<u>7,601</u>
Tax at Hong Kong Profits Tax rate of 16.5%	1,541	2,971	1,553	1,254
Tax effect of expenses not deductible for tax purpose	5	6	3	1
Tax benefits	(20)	(20)	(20)	—
Others	<u>37</u>	<u>55</u>	<u>18</u>	<u>—</u>
Income tax expense for the year/period	<u>1,563</u>	<u>3,012</u>	<u>1,554</u>	<u>1,255</u>

There is no significant unprovided deferred taxation during the Track Record Period or at the end of each reporting period.

## 8. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March		Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Profit for the year/period has been arrived at after charging:				
Directors' remuneration ( <i>note 10</i> )	1,552	2,373	602	1,180
Other staff costs:				
Salaries and other allowances	11,590	11,435	4,793	3,630
Retirement benefits scheme contributions	<u>275</u>	<u>316</u>	<u>134</u>	<u>141</u>
Total staff costs	<u>13,417</u>	<u>14,124</u>	<u>5,529</u>	<u>4,951</u>
Auditor's remuneration	52	320	133	133
Depreciation of property, plant and equipment	296	471	82	313
Minimum lease payments paid under operating leases in respect of:				
— office premise	258	153	118	—
— car parks	<u>34</u>	<u>18</u>	<u>3</u>	<u>20</u>

## 9. DIVIDEND

During the year ended 31 March 2016, an interim dividend of HK\$1,027,000 was recognised as distribution by Fulam Construction to its shareholders, Mr. Leung and Mr. Ho. The rates of dividend and the number of shares ranking for distribution are not presented as such information is not meaningful having regard to this report.

Other than as disclosed above, no dividend was paid or declared by the companies comprising the Group during the Track Record Period.

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable by the Group to the directors and the chief executive of the Company, who rendered services to the companies comprising the Group prior to becoming the directors of the Company during the Track Record Period are as follows:

	Directors' fees HK\$'000	Salaries and other allowances HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 March 2015</b>				
Executive directors:				
Mr. Leung ( <i>note i</i> )	—	918	18	936
Mr. Ho ( <i>note ii</i> )	<u>—</u>	<u>598</u>	<u>18</u>	<u>616</u>
Total	<u>—</u>	<u>1,516</u>	<u>36</u>	<u>1,552</u>

	Directors' fees <i>HK\$'000</i>	Salaries and other allowances <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2016</b>				
Executive directors:				
Mr. Leung ( <i>note i</i> )	—	1,437	18	1,455
Mr. Ho ( <i>note ii</i> )	—	900	18	918
	<u>—</u>	<u>2,337</u>	<u>36</u>	<u>2,373</u>
Total	<u>—</u>	<u>2,337</u>	<u>36</u>	<u>2,373</u>

	Directors' fees <i>HK\$'000</i>	Salaries and other allowances <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Five months ended 31 August 2015 (Unaudited)</b>				
Executive directors:				
Mr. Leung ( <i>note i</i> )	—	358	7	365
Mr. Ho ( <i>note ii</i> )	—	230	7	237
	<u>—</u>	<u>588</u>	<u>14</u>	<u>602</u>
Total	<u>—</u>	<u>588</u>	<u>14</u>	<u>602</u>

	Directors' fees <i>HK\$'000</i>	Salaries and other allowances <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Five months ended 31 August 2016</b>				
Executive directors:				
Mr. Leung ( <i>note i</i> )	—	658	7	665
Mr. Ho ( <i>note ii</i> )	—	508	7	515
	<u>—</u>	<u>1,166</u>	<u>14</u>	<u>1,180</u>
Total	<u>—</u>	<u>1,166</u>	<u>14</u>	<u>1,180</u>

*Notes:*

- (i) Mr. Leung was appointed as the chairman, chief executive and an executive director of the Company on 18 October 2016.
- (ii) Mr. Ho was appointed as an executive director of the Company on 18 October 2016.
- (iii) None of the directors or the chief executive waived or agreed to waive any emolument during the Track Record Period.
- (iv) During the Track Record Period, no emoluments were paid by the Group to any of the directors or the chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

- (v) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

## 11. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group during the Track Record Period include two executive directors of the Company, details of whose emoluments are set out in note 10 above. Details of the emoluments of the remaining three individuals are as follows:

	Year ended 31 March		Five months ended 31 August	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries and other benefits	1,439	1,831	675	612
Retirement benefits scheme contribution	<u>53</u>	<u>54</u>	<u>22</u>	<u>22</u>
	<u>1,492</u>	<u>1,885</u>	<u>697</u>	<u>634</u>

Each of their emoluments was within the following bands:

	Year ended 31 March		Five months ended 31 August	
	2015	2016	2015	2016
			(Unaudited)	
Not exceeding HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 12. 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 and the results during the Track Record Period that is on a combined basis as set out in note 1.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building in Hong Kong HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>					
At 1 April 2014	—	—	—	2,325	2,325
Additions	—	—	66	—	66
At 31 March 2015	—	—	66	2,325	2,391
Additions	8,356	266	108	—	8,730
At 31 March 2016	8,356	266	174	2,325	11,121
Additions	—	—	18	901	919
Disposals	—	—	—	(295)	(295)
At 31 August 2016	8,356	266	192	2,931	11,745
<b>DEPRECIATION</b>					
At 1 April 2014	—	—	—	1,741	1,741
Provided for the year	—	—	19	277	296
At 31 March 2015	—	—	19	2,018	2,037
Provided for the year	244	27	24	176	471
At 31 March 2016	244	27	43	2,194	2,508
Provided for the period	174	22	16	101	313
Disposals	—	—	—	(295)	(295)
At 31 August 2016	418	49	59	2,000	2,526
<b>CARRYING VALUES</b>					
At 31 March 2015	—	—	47	307	354
At 31 March 2016	8,112	239	131	131	8,613
At 31 August 2016	7,938	217	133	931	9,219

The above items of property, plant and equipment are depreciated over their estimated useful lives, using straight-line method, at the following rates per annum:

Leasehold land and building	5%
Leasehold improvements	Shorter of lease term or 20%
Furniture and equipment	20%
Motor vehicles	20%

As at 31 March 2015 and 2016 and 31 August 2016, the carrying values of motor vehicles held under finance leases were HK\$267,000, HK\$106,000 and HK\$871,000, respectively.

## 14. TRADE AND OTHER RECEIVABLES

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
Trade receivables	20,749	9,906	6,456
Trade receivables factored with recourse	967	5,674	12,527
	21,716	15,580	18,983
Unbilled retention receivables (note i)	37,864	33,090	35,542
Other receivable	1,000	1,000	1,000
Deposits for surety bonds (note ii)	3,983	11,587	11,587
Project deposits placed with customers	177	88	88
Rental, utility and other deposits	357	406	500
Total trade and other receivables	65,097	61,751	67,700
Presented as non-current assets	—	9,898	9,898
Presented as current assets	65,097	51,853	57,802
	65,097	61,751	67,700

## Notes:

- (i) Unbilled retention receivables will be billed to customers at the end of the defect liability period of individual contracts, that is one year from the date of the practical completion of the respective project, subject to extension due to actual circumstance of the project.

The unbilled retention receivables are expected to be settled, based on the expiry date of the defect liability period, at the end of each reporting period:

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
Due within one year	25,853	25,170	25,145
Due after one year	12,011	7,920	10,397
	37,864	33,090	35,542

- (ii) The amount represents the deposits as collateral security for surety bonds in respect of construction contracts issued by insurance companies and insurance agents in favour of the Group's customers. The deposits will be refunded to the Group upon the practical completion or at the end of the defect liability period of the relevant construction contracts.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

The Group allows a credit period of 7 to 45 days to its customers for its trade receivables.

The following is an aged analysis of trade receivables presented based on invoice dates at the end of each reporting period:

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
0–30 days	21,426	15,357	17,655
31–60 days	20	20	1,106
61–90 days	—	203	—
Over 90 days	270	—	222
	<u>21,716</u>	<u>15,580</u>	<u>18,983</u>

Included in the Group's trade receivables balances as at 31 March 2015 and 2016 and 31 August 2016 are debtors with aggregate carrying amounts of HK\$290,000, HK\$2,648,000 and HK\$1,592,000, respectively, which are past due at the end of each reporting period for which the Group has not provided for impairment loss because the management of the Group is of the opinion that the amounts will be fully recoverable as there has not been any significant deterioration in credit quality of the debtors. The Group does not hold any collateral over these balances.

**Ageing of trade receivables which are past due but not impaired**

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
0–30 days	—	2,425	273
31–60 days	20	20	1,097
61–90 days	—	203	—
Over 90 days	270	—	222
	<u>290</u>	<u>2,648</u>	<u>1,592</u>

The Group does not hold any collateral over these balances.

In determining the recoverability of trade and unbilled retention receivables, the Group considers any change in the credit quality of the trade and unbilled retention receivables from the date credit was initially granted up to the end of each reporting period.

## 15. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Contracts in progress at the end of the reporting period:			
Contract costs incurred to date	343,885	274,149	461,713
Add: recognised profits less recognised losses	<u>69,140</u>	<u>62,656</u>	<u>91,780</u>
	413,025	336,805	553,493
Less: progress billings	<u>(397,823)</u>	<u>(314,063)</u>	<u>(511,212)</u>
	<u>15,202</u>	<u>22,742</u>	<u>42,281</u>
Analysed as:			
Amounts due from customers for contract work	15,202	22,742	42,281
Amounts due to customers for contract work	<u>—</u>	<u>—</u>	<u>—</u>
	<u>15,202</u>	<u>22,742</u>	<u>42,281</u>

As at 31 March 2015 and 2016 and 31 August 2016, retention monies held by customers for contract work are set out in note 14 and advances received from customers are set out in note 19.

## 16. TRANSFER OF FINANCIAL ASSETS

The followings were the Group's trade receivables and receivables arising from amounts due from customers for contract work as at 31 March 2015 and 2016 and 31 August 2016 that were transferred to banks by factoring them on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these trade receivables and receivables arising from amounts due from customers from contract work, it continues to recognise their full carrying amounts and has recognised the cash received on the transfer as secured borrowings (see note 20). These financial assets are carried at amortised cost in the Group's combined statements of financial position.

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Carrying amount of trade receivables	967	5,674	12,527
Carrying amount of receivables arising from amounts due from customers for contract work	—	7,222	14,308
Carrying amount of associated liabilities	<u>(346)</u>	<u>(10,441)</u>	<u>(22,001)</u>
	<u>621</u>	<u>2,455</u>	<u>4,834</u>

## 17. AMOUNTS DUE FROM DIRECTORS

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
Mr. Leung ( <i>note i</i> )	4,499	8,552	9,402
Mr. Ho ( <i>note ii</i> )	<u>2,923</u>	<u>4,035</u>	<u>7,346</u>
	<u>7,422</u>	<u>12,587</u>	<u>16,748</u>

*Notes:*

- (i) The amount is non-trade related, unsecured, interest-free and repayable on demand. The maximum outstanding amounts during the years ended 31 March 2015 and 2016 and the five months ended 31 August 2016 were HK\$4,509,000, HK\$8,572,000 and HK\$11,402,000, respectively. The balance as at 31 August 2016 was settled subsequently by offsetting against dividend declared on 22 February 2017 as detailed in section C of this report.
- (ii) The amount is non-trade related, unsecured, interest-free and repayable on demand. The maximum outstanding amounts during the years ended 31 March 2015 and 2016 and the five months ended 31 August 2016 were HK\$3,422,000, HK\$4,035,000 and HK\$7,346,000, respectively. The balance as at 31 August 2016 was settled subsequently by offsetting against dividend declared on 22 February 2017 as detailed in section C of this report.

## 18. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/BANK OVERDRAFTS

The pledged bank deposits carry interest at market rate of 0.05%, 0.04% and 0.03% per annum as at 31 March 2015 and 2016 and 31 August 2016, respectively. Pledged bank deposits represent deposits pledged to a bank to secure the bank overdrafts, short-term bank loans and other general banking facilities granted to the Group. The pledged bank deposits will be released upon the termination of relevant bank overdrafts, short-term bank loans and other general banking facilities.

Bank balances and cash comprise cash on hand and bank balances. Bank balances carry interest at prevailing market interest rate of 0.01% per annum during the Track Record Period.

Bank overdrafts carried interest at 1.5% over Hong Kong Prime Rate of the relevant bank per annum, and were repayable on demand. The effective interest rates on bank overdrafts as at 31 March 2015 and 2016 were 6.5% and 6.5% per annum, respectively.

## 19. TRADE AND OTHER PAYABLES

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Trade payables			
— third parties	5,350	6,674	28,869
— a related party ( <i>note i</i> )	—	80	—
	<u>5,350</u>	<u>6,754</u>	<u>28,869</u>
Accrued costs of materials and subcontracting charges	42,251	20,101	10,704
Other accruals	3,468	3,403	4,704
Receipts in advance from customers	1,289	14	14
Deposits received ( <i>note ii</i> )	306	5,094	5,094
Retention payables to subcontractors ( <i>note iii</i> )	<u>4,211</u>	<u>9,595</u>	<u>15,020</u>
Total trade and other payables	<u>56,875</u>	<u>44,961</u>	<u>64,405</u>
Presented as non-current liabilities	306	4,788	4,788
Presented as current liabilities	<u>56,569</u>	<u>40,173</u>	<u>59,617</u>
	<u>56,875</u>	<u>44,961</u>	<u>64,405</u>

*Notes:*

- (i) The amount represents the amount due to Hong Kong Building Material Limited (“HKBML”) in which the wife of Mr. Ho has beneficial interests and joint control.
- (ii) The amounts represent deposits received from subcontractors for the purpose of securing their performance in respect of construction contracts in favour of the Group.
- (iii) Retention payables to subcontractors are interest-free and payable at the end of the defect liability period of individual contracts, normally one year from the completion date of the respective project.

The retention payables are expected to be settled, based on the expiry date of the defect liability period, at the end of each reporting period as follows:

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Due within one year	1,333	9,577	14,044
Due after one year	<u>2,878</u>	<u>18</u>	<u>976</u>
	<u>4,211</u>	<u>9,595</u>	<u>15,020</u>

The credit period on trade payables ranges from 0 to 30 days.

The following is an aged analysis of trade payables presented based on the invoice dates at the end of each reporting period:

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
0–30 days	830	2,154	20,962
31–60 days	489	1,727	2,243
61–90 days	1,017	247	552
Over 90 days	3,014	2,626	5,112
	<u>5,350</u>	<u>6,754</u>	<u>28,869</u>

## 20. BANK BORROWINGS

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
Secured bank borrowings:			
Bank loans	17,994	29,480	28,727
Factoring loans	346	10,441	22,001
	<u>18,340</u>	<u>39,921</u>	<u>50,728</u>
Carrying amounts repayable (note):			
On demand or within one year	18,340	37,238	48,128
More than one year, but not exceeding two years	—	200	200
More than two years, but not exceeding five years	—	600	600
More than five years	—	1,883	1,800
	<u>18,340</u>	<u>39,921</u>	<u>50,728</u>
Amount shown under current liabilities	<u>18,340</u>	<u>39,921</u>	<u>50,728</u>

*Note:* All bank borrowings contain a repayment on demand clause and are shown under current liabilities. The amounts due are presented based on scheduled repayment dates set out in the loan agreements.

Bank loans carries interest at Hong Kong Prime Rate of the relevant bank plus 0.5% to 1.5% or at Hong Kong dollar Best Lending Rate (“HKD BLR”) plus 0.5% or minus 2.75% per annum or at one-month Hong Kong Interbank Offered Rate plus 2% per annum or at Hong Kong Prime Rate of the relevant bank plus 1.5% per annum. Factoring loans carry interest at HKD BLR plus 1% per annum.

The ranges of effective interest rates on bank borrowings as at 31 March 2015 and 2016 and 31 August 2016 (which are also equal to contracted interest rates) are ranged from 5.5% to 6.5%, 2.2% to 6.1% and 2.2% to 6.1% per annum, respectively.

These bank borrowings are drawn under banking facilities. The banking facilities are secured and guarantee by a legal charge over the property held by the Group, pledged bank deposits as disclosed in notes 18 and 29, a property owned by Mr. Ho's wife, two properties owned by Mr. Leung and Ms. Ng Yee Ting who cohabits with Mr. Leung as a spouse (“Ms. Ng”), personal guarantees provided by Mr. Leung and Mr. Ho for unlimited amounts and/or corporate guarantee provided by the Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme to the extent of 80% of the outstanding amounts.

**21. OBLIGATIONS UNDER FINANCE LEASES**

The Group leased its motor vehicles under finance leases during the Track Record Period. The average lease term is four to five years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 4.28%, 4.28%, 4.55% per annum for the year ended 31 March 2015 and 2016 and for the five months ended 31 August 2016, respectively.

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 March		As at 31 August	As at 31 March		As at 31 August
	2015	2016	2016	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Obligations under finance leases payable:</b>						
Within one year	160	54	137	153	53	115
Within a period of more than one year but not more than two years	53	—	137	53	—	123
Within a period of more than two years but not more than five years	—	—	194	—	—	186
	213	54	468	206	53	424
Less: future finance charges	(7)	(1)	(44)	N/A	N/A	N/A
Present value of lease obligations	<u>206</u>	<u>53</u>	<u>424</u>	206	53	424
Less: Amount due for settlement within twelve months (shown under current liabilities)				(153)	(53)	(115)
Amount due for settlement after twelve months (shown under non-current liabilities)				<u>53</u>	<u>—</u>	<u>309</u>

As at 31 March 2015 and 2016, the Group's obligations under finance leases are secured by the leased assets and unguaranteed. As at 31 August 2016, the Group's obligation under a finance lease is secured by the leased asset and guaranteed by Mr. Leung.

**22. DEFERRED TAX ASSET**

The following is the deferred tax asset recognised and movement thereon during the Track Record Period:

	<b>Tax losses</b> HK\$'000
At 1 April 2014	459
Charge to profit or loss ( <i>note 7</i> )	<u>(459)</u>
At 31 March 2015 and 2016 and 31 August 2016	<u>—</u>

Deferred tax assets were recognised for tax losses carried forward to the extent that realisation of the related tax benefits through generating future taxable profits is probable. As at 31 March 2015 and 2016 and 31 August 2016, the Group had no unrecognised tax losses.

**23. SHARE CAPITAL**

For the purpose of this report, the share capital of the Group as at 1 April 2014, 31 March 2015 and 2016 and 31 August 2016 represents the combined share capital of Fulam Construction and Fulam Engineering.

On 3 June 2014, Fulam Construction issued 1,000,000 ordinary shares of HK\$1 each, to the controlling shareholders, who provide additional working capital to Fulam Construction.

**24. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank borrowings and obligations under finance leases as disclosed in notes 20 and 21, respectively, net of cash and cash equivalent, and equity attributable to owners of the Company, comprising issued share capital and retained profits.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts and redemption of existing debts.

**25. FINANCIAL INSTRUMENTS****25a. Categories of financial instruments**

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b>
			<i>HK\$'000</i>
<b>Financial assets</b>			
Loans and receivables (including bank balances and cash)	74,660	81,674	99,635
<b>Financial liabilities</b>			
Amortised cost	31,192	61,398	99,711
Obligations under finance leases	206	53	424
	31,398	61,451	100,135

**25b. Financial risk management objectives and policies**

The Group's financial instruments include trade and other receivables, amounts due from directors, pledged bank deposits, bank balances and cash, trade and other payables, bank overdrafts, bank borrowings and obligations under finance leases.

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (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******Interest rate risk***

The Group is exposed to fair value interest rate risk in relation to its pledged bank deposits and obligations under finance leases as set out in note 21. The Group is also exposed to cash flow interest rate risk in relation to bank balances, bank borrowings (see note 20 for details of these borrowings) and bank overdrafts, which are arranged at floating rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate of the relevant bank, HKD BLR and 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 instruments at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year/period. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2015 and 2016 and the five months ended 31 August 2016 would be decreased/increased by HK\$81,000, HK\$157,000 and HK\$79,000, respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year/period end exposure does not reflect the exposure during Track Record Period.

***Credit risk***

As at 31 March 2015 and 2016 and 31 August 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 March 2015 and 2016 and 31 August 2016 in relation to its trade and retention receivables from the Group's five major customers amounted to HK\$40,879,000, HK\$27,699,000 and HK\$27,781,000, respectively, which accounted for 69%, 57% and 51% of the Group's total trade and retention receivables, respectively. The major customers of the Group are certain reputable corporations. 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 also has concentration of credit risk on amounts due from directors. As at 31 March 2015 and 2016 and 31 August 2016, amounts due from directors amounted to HK\$7,422,000, HK\$12,587,000 and HK\$16,748,000, respectively. The management of the Group considers the default risk to be insignificant as the directors are also the Controlling Shareholders of the Group. Details are set out in note 17.

The credit risks on liquid funds and deposits for surety bonds are limited because the counterparties are banks and insurance companies with good reputation, or agents with good business relationship and good historical repayment history.

*Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group believes that the Group will have sufficient working capital for its future operational requirement.

The Group relies on bank borrowings as a significant source of liquidity. The Group has available unutilised banking facilities of HK\$19,675,000, HK\$23,061,000 and HK\$11,639,000 as at 31 March 2015 and 2016 and 31 August 2016, respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

*Liquidity and interest risk table*

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 to 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2015 HK\$'000
<b>31 March 2015</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	—	9,867	—	—	—	9,867	9,867
Bank borrowings	5.84	18,340	—	—	—	18,340	18,340
Bank overdrafts	6.50	2,985	—	—	—	2,985	2,985
Obligations under finance leases	4.28	13	27	120	53	213	206
		<u>31,205</u>	<u>27</u>	<u>120</u>	<u>53</u>	<u>31,405</u>	<u>31,398</u>
	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 to 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2016 HK\$'000
<b>31 March 2016</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	—	21,443	—	—	—	21,443	21,443
Bank borrowings	5.52	39,921	—	—	—	39,921	39,921
Bank overdrafts	6.50	34	—	—	—	34	34
Obligations under finance leases	4.28	13	27	14	—	54	53
		<u>61,411</u>	<u>27</u>	<u>14</u>	<u>—</u>	<u>61,452</u>	<u>61,451</u>

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 to 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.8.2016 HK\$'000
<b>31 August 2016</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	—	48,983	—	—	—	48,983	48,983
Bank borrowings	5.67	50,728	—	—	—	50,728	50,728
Obligations under finance leases	4.55	11	23	103	331	468	424
		<u>99,722</u>	<u>23</u>	<u>103</u>	<u>331</u>	<u>100,179</u>	<u>100,135</u>

Bank borrowings with repayment on demand clauses are included in the 'On demand or less than 1 month' time band in the above maturity analysis. As at 31 March 2015 and 2016 and 31 August 2016, the aggregate undiscounted cash flows of these bank borrowings amounted to HK\$18,741,000, HK\$41,007,000 and HK\$51,469,000, respectively. Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows (estimated based on the interest rate at the end of each reporting period) are set out below.

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 to 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>31 March 2015</b>								
Bank borrowings	5.84	<u>4,040</u>	<u>3,352</u>	<u>11,349</u>	<u>—</u>	<u>—</u>	<u>18,741</u>	<u>18,340</u>
<b>31 March 2016</b>								
Bank borrowings	5.52	<u>5,234</u>	<u>15,035</u>	<u>17,799</u>	<u>1,004</u>	<u>1,935</u>	<u>41,007</u>	<u>39,921</u>
<b>31 August 2016</b>								
Bank borrowings	5.67	<u>9,014</u>	<u>27,940</u>	<u>11,897</u>	<u>783</u>	<u>1,835</u>	<u>51,469</u>	<u>50,728</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

## 25c. Fair values measurements of financial instruments

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 inputs being the discount rate that reflects the credit risk of counterparties.

The management of the Group considers that the carrying amounts of financial assets and liabilities recorded at amortised cost in the Financial Information approximate their fair values.

**26. OPERATING LEASE COMMITMENTS**

The Group as lessee had made minimum lease payments of HK\$292,000, HK\$171,000, HK\$121,000 (unaudited) and HK\$20,000 under operating leases during the years ended 31 March 2015 and 2016 and the five months ended 31 August 2015 and 2016, respectively, in respect of office premise and car parks.

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Within one year	<u>26</u>	<u>3</u>	<u>9</u>

**27. CAPITAL COMMITMENTS**

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Capital expenditure in respect of the acquisition of a leasehold land and building in Hong Kong contracted for but not provided in the Financial Information	7,353	—	—
Capital expenditure in respect of the acquisition of a motor vehicle contracted for but not provided in the Financial Information	<u>—</u>	<u>778</u>	<u>—</u>
	<u>7,353</u>	<u>778</u>	<u>—</u>

**28. RETIREMENT BENEFITS PLAN**

The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the above scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK\$1,250 per month (increased to HK\$1,500 per month effective from 1 June 2014) or 5% of the relevant payroll costs to the MPF Scheme.

The total cost charged to profit or loss of HK\$311,000, HK\$352,000, HK\$148,000 (unaudited) and HK\$155,000 represents contributions paid or payable to the above scheme by the Group for the years ended 31 March 2015 and 2016 and the five months ended 31 August 2015 and 2016, respectively. As at 31 March 2015, 31 March 2016 and 31 August 2016, contributions of HK\$50,000, HK\$60,000 and HK\$25,000, respectively, due in respect of the corresponding reporting periods had not been paid over to the scheme.

During the Track Record Period, there were no forfeited contributions which arose upon employees leaving the scheme prior to their interests in the Group's contribution becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

**29. PLEDGE OF ASSETS**

At the end of each reporting period, the carrying amounts of the assets pledged by the Group to banks in order to secure bank overdrafts, bank loans and general banking facilities granted by these banks to the Group are as follows:

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
Property, plant and equipment	—	8,112	7,938
Pledged bank deposits	1,686	1,686	1,686
Trade receivables	967	5,674	12,527
Amounts due from customers for contract work	—	7,222	14,308
	<u>2,653</u>	<u>22,694</u>	<u>36,459</u>

**30. RELATED PARTY DISCLOSURES****(i) Transactions**

During the Track Record Period, the Group entered into the following transactions with its related parties:

Related parties	Nature of transactions	Year ended		Five months ended 31	
		31 March		August	
		2015	2016	2015	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)			
Mr. Leung	Interim dividend paid	<u>—</u>	<u>700</u>	<u>—</u>	<u>—</u>
Mr. Ho	Interim dividend paid	<u>—</u>	<u>327</u>	<u>—</u>	<u>—</u>
HKBML	Purchase of materials	<u>48</u>	<u>154</u>	<u>74</u>	<u>39</u>

In addition, during the Track Record Period, Mr. Ho's wife pledged one property and Mr. Leung and Ms. Ng pledged two properties and the Controlling Shareholders provided personal guarantees for unlimited amounts to banks to secure the bank overdrafts, bank loans and general banking facilities granted to the Group. Details are disclosed in note 20.

During the Track Record Period, the Controlling Shareholders also provided personal guarantees for unlimited amounts to insurance companies to secure the surety bonds granted to the Group. Such personal guarantees will be released upon the practical completion of construction contracts or upon Listing, whichever is earlier. Details are disclosed in note 32.

**(ii) Balances**

Details of the balances with related parties are set out in the combined statements of financial position and in notes 17 and 19.

## (iii) Compensation of key management personnel

	Year ended 31 March		Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Salaries and other allowances	1,516	2,337	588	1,166
Retirement benefits scheme contributions	<u>36</u>	<u>36</u>	<u>14</u>	<u>14</u>
	<u>1,552</u>	<u>2,373</u>	<u>602</u>	<u>1,180</u>

The remuneration of key management personnel is determined with regard to the performance of the individuals and market trends.

**31. MAJOR NON-CASH TRANSACTION**

During the year ended 31 March 2016, an interim dividend amounting to HK\$1,027,000 declared by Fulam Construction was settled through the current account with directors.

During the five months ended 31 August 2016, the Group entered into a finance lease arrangement in respect of a motor vehicle with a capital value at the inception of the lease of HK\$500,000.

**32. SURETY BONDS AND CONTINGENT LIABILITIES**

Certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for the performance of contract works in the form of surety bonds and secured by deposits. The surety bonds are released when the construction contracts are practically completed.

At the end of each reporting period, the Group had outstanding surety bonds as follows:

	As at 31 March		As at
	2015 HK\$'000	2016 HK\$'000	31 August 2016 HK\$'000
Issued by insurance companies	<u>18,998</u>	<u>31,523</u>	<u>78,301</u>

**B. DIRECTORS' REMUNERATION**

Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 March 2017, excluding discretionary bonus, is estimated to be approximately HK\$2.9 million.

**C. SUBSEQUENT EVENTS**

Except as disclosed elsewhere in the Financial Information, subsequent to 31 August 2016, the Group has the following significant events:

On 22 February 2017, the special dividend of HK\$22,000,000 was declared and approved by the Company of which approximately HK\$18,600,000 had been settled by offsetting with amounts due from directors and the remaining of approximately HK\$3,400,000 will be settled in cash.

On 22 February 2017, written resolutions of the shareholders of the Company were passed to approve the followings:

- (i) the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each by the creation of an additional 1,962,000,000 shares of HK\$0.01 each;
- (ii) conditional upon the share premium account of the Company being credited as a result of the public offer of the Company's shares, the directors of the Company were authorised to capitalise an amount of HK\$5,999,999.56 standing to the credit of the share premium account of the Company and applied in paying up in full at par a total of 599,999,956 shares for allotment and issue to the shareholders of the Company; and
- (iii) the share option scheme of the Company was conditionally adopted on 22 February 2017 and the principal terms of which are set out in Appendix IV to the Prospectus.

Save as aforesaid, there were no significant events took place subsequent to 31 August 2016.

**D. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 August 2016.

Yours faithfully,

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

The information set forth in this appendix does not form part of the accountants' report on the financial information of the Group for each of the two years ended 31 March 2016 and the five months ended 31 August 2016 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included in this prospectus for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

#### A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The statement of the unaudited pro forma adjusted combined net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Public Offer on the combined net tangible assets of the Group as at 31 August 2016 as if the Public Offer had taken place on that date.

The statement of the unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group had the Public Offer been completed as at 31 August 2016 or at any future dates. It is prepared based on the audited combined net tangible assets of the Group as at 31 August 2016 as set out in the Accountants' Report in Appendix I to this document, and adjusted as described below.

	<b>Audited combined net tangible assets of the Group as at 31 August 2016 HK\$'000 (Note 1)</b>	<b>Estimated net proceeds from the Public Offer HK\$'000 (Note 2)</b>	<b>Unaudited pro forma adjusted combined net tangible assets of the Group as at 31 August 2016 HK\$'000</b>	<b>Unaudited pro forma adjusted combined net tangible assets of the Group as at 31 August 2016 per Share HK\$ (Note 3)</b>
Based on the Offer Price of HK\$0.25 per Offer Share	32,066	28,529	60,595	0.076
Based on the Offer Price of HK\$0.35 per Offer Share	32,066	47,529	79,595	0.099

*Notes:*

- (1) The audited combined net tangible assets of the Group as at 31 August 2016 is based on the combined net assets of the Group of HK\$32,066,000 as at 31 August 2016 as extracted from the Accountants' Report set forth in Appendix I to this Prospectus.

- (2) The adjustment to the statement of the unaudited pro forma adjusted combined net tangible assets of the Group reflects the estimated net proceeds from the Public Offer to be received by the Company. The estimated net proceeds from the Public Offer is based on 200,000,000 New Shares at the Offer Price of HK\$0.25 and HK\$0.35 per Offer Share, being the low-end and high-end of the stated Offer Price range, respectively, after deduction of the estimated underwriting fees to be incurred by the Group and other related expenses expected to be incurred subsequent to 31 August 2016 and does not take into account of any Share which may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme, or any Share which may be issued or repurchased pursuant to the Company's general mandate.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group per Share is based on 800,000,000 Shares in issue immediately following completion of the Public Offer and the Capitalisation Issue assumed to be on 31 August 2016. It does not take into account of any Share which may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme, or any Share which may be issued or repurchased pursuant to the Company's general mandate.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group as at 31 August 2016 to reflect any trading result or other transactions of the Group entered into subsequent to 31 August 2016.
- (5) The unaudited pro forma adjusted combined net tangible assets of the Group presented in the table above has not been adjusted to show the effect of the special dividend of HK\$22.0 million declared and approved by the Company on 22 February 2017 (the "Dividend"). Had the Dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group and the unaudited pro forma adjusted combined net tangible assets of the Group per Share would be further adjusted as below, which is calculated based on 800,000,000 Shares in issue immediately following completion of Public Offer and the Capitalisation Issue:

	<b>Unaudited pro forma adjusted combined net tangible assets of the Group as at 31 August 2016 after taking into account of the estimated net proceeds from the Public Offer and Special Dividend HK\$'000</b>	<b>Unaudited pro forma adjusted combined net tangible assets of the Group as at 31 August 2016 after taking into account of the estimated net proceeds from the Public Offer and Special Dividend HK\$</b>
Based on the Offer Price of HK\$0.25 per Offer Share	38,595	0.048
Based on the Offer Price of HK\$0.35 per Offer Share	57,595	0.072

**B. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Chi Ho Development Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chi Ho Development Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the statement of the unaudited pro forma adjusted combined net tangible assets as at 31 August 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 28 February 2017 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited by way of public offer (“**Public Offer**”) on the Group's financial position as at 31 August 2016 as if the proposed Public Offer had taken place at 31 August 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the two years ended 31 March 2016 and the five months ended 31 August 2016, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 August 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong, 28 February 2017

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS  
COMPANY LAW**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 October 2016 under the Cayman Companies Law. The 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**

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the 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 the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the 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 22 February 2017 and will become effective on the Listing Date. A summary of certain provisions of the Articles is set out below.

**2.1 Shares***2.1.1 Classes of shares*

The share capital of the Company consists of ordinary shares.

*2.1.2 Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the 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.

#### *2.1.3 Alteration of capital*

The 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; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

#### *2.1.4 Transfer of shares*

Subject to the Cayman 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 the 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 the 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 the 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 GEM 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.

#### *2.1.5 Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the 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 the 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.

#### *2.1.6 Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

*2.1.7 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 the 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 the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the 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.

## 2.2 *Directors*

### 2.2.1 *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 the 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 the 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 the 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 the 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. The 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 the Company. The period for lodgment 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 the 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 the 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 the Company) and the 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:

- (a) resign;
- (b) dies;
- (c) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) he is prohibited from being or ceases to be a director by operation of law;
- (f) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (g) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (h) is removed from office by the requisite majority of the 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 the 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.

#### *2.2.2 Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman 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 the 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 the 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 the 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 the 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 Cayman 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 the 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 the 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.

#### *2.2.3 Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the 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 the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the 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.

#### *2.2.4 Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*2.2.5 Remuneration*

The 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 the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the 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. The 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 the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the 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 the Company or companies with which the Company is associated in business, or may make contributions out of the 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 the Company or any of its subsidiaries) and former employees of the 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.

*2.2.6 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 the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*2.2.7 Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the 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 the Company or any of their respective close associates, or, if any one or more of the 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.

*2.2.8 Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the 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 the Company may be interested, and shall not be liable to account to the 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 the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the 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 the 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 the 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 the 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 the 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:

- (a) the giving of any security or indemnity to the 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 the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or 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;
- (c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal or arrangement concerning the benefit of employees of the 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 the 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 the 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
- (e) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

#### *2.2.9 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.

### *2.3 Alterations to the constitutional documents and the 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 the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

### *2.4 Meetings of member*

#### *2.4.1 Special and ordinary resolutions*

A special resolution of the 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 Cayman 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 the 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 the Company duly convened and held, and where relevant as a special resolution so passed.

#### *2.4.2 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 the 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 GEM 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 the 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 the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised 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 the Company has knowledge that any member is, under the GEM 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.

#### *2.4.3 Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the 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.

#### *2.4.4 Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the 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 the 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 the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the 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:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the 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.

#### *2.4.5 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.

#### *2.4.6 Proxies*

Any member of the Company entitled to attend and vote at a meeting of the 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 the Company or at a class meeting. A proxy need not be a member of the 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.

### **2.5 *Accounts and audit***

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman 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 the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the 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 the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the 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 the 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 the 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), the 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.

The 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 the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the 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.

#### ***2.6 Dividends and other methods of distribution***

The 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:

- 2.6.1 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;
- 2.6.2 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
- 2.6.3 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 the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the 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
- (b) 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, the Company may by ordinary resolution in respect of any one particular dividend of the 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 the 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 the 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 the Company until claimed and the 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 the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The 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.

### ***2.7 Inspection of corporate records***

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the 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 the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

### ***2.8 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 the Company under Cayman Islands law, as summarised in paragraph 3.6 of this Appendix.

### ***2.9 Procedures on liquidation***

A resolution that the 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:

2.9.1 if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

2.9.2 if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the 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 Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the 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.

### ***2.10 Subscription rights reserve***

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the 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

The Company was incorporated in the Cayman Islands as an exempted company on 18 October 2016 subject to the Cayman 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 Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

#### 3.1 *Company operations*

An exempted company such as the 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.

#### 3.2 *Share capital*

Under Cayman 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:

3.2.1 paying distributions or dividends to members;

3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;

3.2.3 any manner provided in section 37 of the Cayman Companies Law;

3.2.4 writing-off the preliminary expenses of the company; and

3.2.5 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.

### ***3.3 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.

### ***3.4 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 Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman 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.

### ***3.5 Dividends and distributions***

Subject to a solvency test, as prescribed in the Cayman 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.

### ***3.6 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 the 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.

### ***3.7 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).

### ***3.8 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.

### ***3.9 Exchange control***

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

### ***3.10 Taxation***

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- 3.10.1 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 the Company or its operations; and
- 3.10.2 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 the Company:
  - (a) on or in respect of the shares, debentures or other obligations of the Company; or
  - (b) 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 the Company is for a period of 20 years from 29 November 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

### ***3.11 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.

***3.12 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.

***3.13 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.

***3.14 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.

***3.15 Register of Directors and officers***

Pursuant to the Cayman Companies Law, the 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 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

***3.16 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.

### ***3.17 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.

### ***3.18 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.

### ***3.19 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, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraphs headed "Documents Available for Inspection" in Appendix V. 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**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 October 2016. Our Company has established a principal place of business in Hong Kong at Unit B1, 8/F, Yip Fung Industrial Building Nos. 28-36 Kwai Fung Crescent, Kwai Chung, New Territories, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 23 November 2016. In connection with such registration, Mr. Leung of Flat B, 47/F, Block 8, Metro Town, 8 King Ling Road, Tseung Kwan O, New Territories and Mr. Ho of Room B, 4/F, Block 1, Pokfulam Garden, 180 Pokfulam Road, Pok Fu Lam, Hong Kong have been appointed as authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution documents comprise the Memorandum of Association and the Articles of Association. A summary of various parts of the constitution documents and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

**2. Changes in authorised and issued share capital of our Company**

- (a) Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 October 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued as fully paid to an initial subscriber at par, which was transferred to Diamondfield for cash at par on the same date.
- (b) On 18 October 2016, an additional six Shares and 15 Shares were allotted and issued as fully paid at par to Diamondfield and Sharp Talent respectively.
- (c) On 11 November 2016, pursuant to the Reorganisation Agreement, our Company acquired the entire issued share capital of Idea Lion and Diamond Step from Mr. Leung and Mr. Ho. In consideration thereof, our Company allotted and issued as fully paid seven Shares to Diamondfield (at the direction of Mr. Ho) and 15 Shares to Sharp Talent (at the direction of Mr. Leung).
- (d) Pursuant to the written resolutions of the Shareholders passed on 22 February 2017, the authorised share capital of our Company increased from HK\$380,000 to HK\$20,000,000 by the creation of a further 1,962,000,000 Shares.
- (e) Immediately following the completion of the Capitalisation Issue and the Public Offer, without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK\$20,000,000 divided into 2,000,000,000 Shares, of which 800,000,000 Shares will be allotted and issued, fully paid or credited as fully paid and 1,200,000,000 Shares will remain unissued. Other than the Shares issuable pursuant to any options which may fall to be granted under the Share Option Scheme,

or the exercise of the general mandate referred to in “A. Further information about our Company — 3. Written resolutions of the Shareholders” in this Appendix, our Directors have no present intention to issue any part of the authorised but unissued capital of our Company, and without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

- (f) Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

### 3. Written resolutions of our Shareholders

Pursuant to the written resolutions of our Shareholders passed on 22 February 2017, among other things:

- (a) 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\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional 1,962,000,000 Shares of HK\$0.01 each;
- (b) conditional on the conditions as set out in the section headed “Structure and Conditions of the Public Offer” of this prospectus:
  - (i) the Public Offer was approved and our Directors or any committee of the Board were authorised to (aa) allot and issue the Offer Shares to rank pari passu with the then existing Shares in all respects; (bb) implement the Public Offer and the listing of Shares on GEM; and (cc) do all things and execute all documents in connection with or incidental to the Public Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
  - (ii) conditional on the share premium account of our Company being credited as a result of the allotment and issue of the Offer Shares pursuant to the Public Offer, our Directors were authorised to capitalise a maximum amount of HK\$5,999,999.56 standing to the credit of the share premium account of our Company and to apply such amount in paying up in full at par an aggregate of 599,999,956 Shares for allotment and issue, credited as fully paid at par and rank pari passu in all respects with each other and the existing issued Shares (except entitlement to the Capitalisation Issue), to Diamondfield and Sharp Talent, and the Directors were authorised to give effect to such capitalisation and distribution;
  - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in “D. Share Option Scheme” in this Appendix, were approved and adopted and our Directors or any committee of the Board were authorised, subject to the terms and conditions of the Share Option Scheme, to implement the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with

the Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable expedient to implement the Share Option Scheme;

- (iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by our Shareholders in general meeting, Shares with a total nominal value not exceeding (1) 20% of the aggregate number of issued shares of our Company in issue immediately following completion of the Capitalisation Issue and the Public Offer (without taking into account any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and (2) the aggregate nominal value of shares repurchased under the Repurchase Mandate as defined in paragraph (v) below. Such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of our Company;
  - (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
  - (3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate number of issued shares of our Company in issue immediately following the completion of the Capitalisation Issue and the Public Offer (without taking into account any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of our Company;

- (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands;
- (3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;
- (vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate referred to in paragraph (v) above provided that such extended amount shall not exceed 10% of the aggregate number of issued shares of our Company in issue immediately following the completion of the Capitalisation Issue and the Public Offer excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme; and
- (vii) our Company approved and adopted the Memorandum of Association and Articles of Association, the terms of which are summarised in Appendix III to this prospectus, with effect upon the Listing.

#### **4. Reorganisation**

The companies comprising our Group underwent a Reorganisation in preparation for the Listing, details of which are set out in the paragraphs headed “History, reorganisation and corporate structure — Reorganisation” of this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

Diagrams showing our Group’s structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Public Offer (assuming that no Share has been issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) are set out in the paragraphs headed “History, reorganisation and corporate structure — Reorganisation” of this prospectus.

#### **5. Changes in share capital of subsidiaries**

Our Company’s subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the paragraphs headed “History, reorganisation and corporate structure — Corporate history”, there was no change in the share capital of the major subsidiaries of our Company during the two years preceding the date of this prospectus.

Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

## 6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

### (a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

#### (i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written resolutions passed by the Shareholders on 22 February 2017, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase the Shares as described above in the paragraphs headed "A. Further information about our Company — 3. Written resolutions of the Shareholders" in this Appendix.

#### (ii) *Source of funds*

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium accounts of our Company, or if authorised by the Articles of Association and subject to the Companies Law, out of capital.

#### (iii) *Trading restrictions*

A company is authorised to repurchase on the GEM or on any other stock exchange recognised by the SFC in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase

mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on the GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on the GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the GEM.

*(iv) Status of repurchased securities*

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled upon the repurchase and the relevant certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares if not held by the Company as treasury shares, may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

*(v) Suspension of repurchase*

A listed company shall not make any repurchase of securities at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances and provided that a waiver on all or any of the restrictions under the GEM Listing Rules has been granted by the Stock Exchange. In addition, the Stock Exchange may prohibit repurchases of securities on the GEM if a company has breached the GEM Listing Rules.

*(vi) Reporting requirements*

Repurchases of securities on the GEM or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following trading day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review,

showing the number of securities repurchased each month (whether on the GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

*(vii) Core connected persons*

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a core connected person (as defined in the GEM Listing Rules) and a core connected person shall not knowingly sell his shares to the company.

***(b) Exercise of the Repurchase Mandate***

Exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after Listing, could accordingly result in up to 80,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

***(c) Reasons for repurchases***

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

***(d) Funding of repurchases***

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Memorandum of Association and Articles of Association and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, our Memorandum and Articles and the applicable laws of the Cayman Islands.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

**B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**

**1. Summary of material contracts**

The following contracts (not being contracts entered into the ordinary course of business of our Group) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) the Reorganisation Agreement;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-competition; and
- (d) the Underwriting Agreement.

## 2. Intellectual property rights of our Company

### (a) Trademarks

As at the Latest Practicable Date, our Group has applied for the following trademarks in Hong Kong which we believe are material to our business:

	<b>Trademark</b>	<b>Applicant</b>	<b>Application number</b>	<b>Class</b> <i>(Note 1)</i>	<b>Status</b>
1.	 	Fulam Construction	303933685	35, 37	Published <i>(Note 2)</i>
2.	 	Fulam Construction	303953197	35, 37	Published <i>(Note 3)</i>
3.	 	Fulam Construction	303953188	35, 37	Published <i>(Note 4)</i>

*Notes:*

- Class 35 — business project management services for construction projects  
  
Class 37 — renovation of buildings, maintenance and repair of buildings, building construction services, building project management
- On 28 December 2016, we received a letter from the Trade Marks Registry, Intellectual Property Department of the Hong Kong Government which informed us that our application has been accepted and the particulars of the application will be published in the Hong Kong Intellectual Property Journal on 30 December 2016. In general, the application will proceed to registration if no notice of opposition is filed within three months from 30 December 2016.
- On 22 December 2016, we received a letter from the Trade Marks Registry, Intellectual Property Department of the Hong Kong Government which informed us that our application has been accepted and the particulars of the application will be published in the Hong Kong Intellectual Property Journal on 30 December 2016. In general, the application will proceed to registration if no notice of opposition is filed within 3 months from 30 December 2016.
- On 22 December 2016, we received a letter from the Trade Marks Registry, Intellectual Property Department of the Hong Kong Government which informed us that our application has been accepted and the particulars of the application will be published in the Hong Kong Intellectual Property Journal on 30 December 2016. In general, the application will proceed to registration if no notice of opposition is filed within 3 months from 30 December 2016.

(b) *Domain name*

As at the Latest Practicable Date, our Group had registered the following domain name:

<b>Domain name</b>	<b>Registrant</b>	<b>Date of registration</b>	<b>Expiry date</b>
Fulam Construction	www.chdev.com.hk	13 October 2016	13 October 2017
Fulam Construction	www.fulamce.com.hk	13 October 2016	13 October 2017

Information contained in the above websites does not form part of this prospectus.

Save as disclosed herein, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are or may be material to the business of our Group.

## C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

### 1. Directors

#### (a) Disclosure of interests of Directors

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Public Offer (without taking into account the Shares which may be issued upon to the exercise of any options that may be granted under the Share Option Scheme), the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules, will be as follows:

#### (i) Long position in the Shares

Name of Directors	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Leung (Notes 1 & 2)	Interest in a controlled corporation; interest held jointly with another person	533,000,000 ordinary Shares	66.6%
Mr. Ho (Notes 1 & 3)	Interest in a controlled corporation; interest held jointly with another person	533,000,000 ordinary Shares	66.6%

#### Notes:

- On 11 November 2016, Mr. Leung and Mr. Ho entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert with each of the members of our Group during and since the Track Record Period and continue as at and after the date of the Concert Parties Confirmatory Deed, details of which are set out in the paragraphs headed “History, reorganisation and corporate structure — Parties acting in concert” in this prospectus.
- 533,000,000 Shares in which Mr. Leung is interested consist of (i) 363,410,000 Shares held by Sharp Talent, a company wholly owned by Mr. Leung, in which Mr. Leung is deemed to be interested under the SFO; and (ii) 169,590,000 Shares in which Mr. Leung is deemed to be interested as a result of being a party acting-in-concert with Mr. Ho.
- 533,000,000 Shares in which Mr. Ho is interested consist of (i) 169,590,000 Shares held by Diamondfield, a company wholly owned by Mr. Ho, in which Mr. Ho is deemed to be interested under the SFO; and (ii) 363,410,000 Shares in which Mr. Ho is deemed to be interested as a result of being a party acting-in-concert with Mr. Leung.

*(ii) Long position in the ordinary shares of associated corporations*

<b>Name of Directors</b>	<b>Name of associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities</b>	<b>Approximate percentage of shareholding</b>
Mr. Leung	Sharp Talent	Beneficial owner	1 ordinary share	100%
Mr. Ho	Diamondfield	Beneficial owner	1 ordinary share	100%

*(b) Particulars of service contracts*

Each of Mr. Leung and Mr. Ho, our executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party. Commencing from the Listing Date, each of our executive Directors is entitled to an annual salary set out below, such salary to be reviewed annually by our Board and the remuneration committee of our Company.

In addition, each of our executive Directors may be entitled to, if so recommended by the Remuneration Committee and approved by the Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of the executive Director, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, discretionary bonus and other benefits payable to him. The current basic annual salary of our executive Directors are as follows:

<b>Name</b>	<b>Amount (HK\$)</b>
Mr. Leung	1,950,000
Mr. Ho	1,950,000

Each of Mr. Leung Hung Kwong, Derrick, Mr. Moy Yee Wo Matthew and Mr. Yau Sze Yeung being our independent non-executive Directors, has entered into a letter of appointment with our Company for an initial term of service commencing from the Listing Date and shall continue thereafter subject to a maximum of three years unless terminated by either party giving not less than one month's notice in writing. Commencing from the Listing Date, each independent non-executive Director is entitled to an annual director's fee of HK\$144,000.

Save as disclosed above, none of our Directors has or is proposed to enter into a service contract/letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

*(c) Directors' remuneration*

Our Company's policies concerning remuneration of executive Directors are:

- (i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;
- (ii) non-cash benefits may be provided to our Directors under their remuneration package; and
- (iii) our executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of the remuneration package.

An aggregate sum of approximately HK\$1.6 million, HK\$2.4 million and HK\$1.2 million was paid to our Directors as remuneration by our Group for the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, respectively.

An aggregate sum of approximately HK\$2.9 million will be paid to our Directors as annual Directors' fees and other emoluments by our Group for the year ending 31 March 2017 under the arrangements in force at the date of this prospectus excluding discretionary bonus.

**2. Substantial shareholders**

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Public Offer and taking no account of any Shares which may be taken up under the Public Offer or any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, the following persons/entities (not being our Directors or chief executive of our Company) will have an interest or a short position in the Shares or the 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 which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to 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 our Company or any other members of our Group:

*Long position in Shares, underlying Shares and debentures*

<b>Name</b>	<b>Capacity</b>	<b>Number and class of securities</b>	<b>Approximate percentage of shareholding</b>
Sharp Talent ( <i>Note</i> )	Beneficial owner; interest held jointly with another person	533,000,000 ordinary Shares	66.6%
Diamondfield ( <i>Note</i> )	Beneficial owner; interest held jointly with another person	533,000,000 ordinary Shares	66.6%

*Note:*

On 11 November 2016, Mr. Leung and Mr. Ho entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert with each of the members of our Group during and since the Track Record Period and continue as at and after the date of the Concert Parties Confirmatory Deed, details of which are set out in the paragraphs headed “History, reorganisation and corporate structure — Parties acting in concert” in this prospectus. As such, pursuant to the parties acting in concert arrangement, each of our Controlling Shareholders, i.e. Sharp Talent (being wholly owned by Mr. Leung), Mr. Leung, Diamondfield (being wholly owned by Mr. Ho) and Mr. Ho is deemed to be interested in 66.6% of the issued share capital of our Company.

### **3. Related party transactions**

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 30 of the Accountants’ Report set out in Appendix I to this prospectus.

### **4. Disclaimers**

Save as disclosed in this Appendix and the section headed “Substantial Shareholders” of this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Public Offer or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Public Offer will have an interest or short position in the Shares and 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 is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;

- (b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor the experts named in “E. Other information — 7. 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 issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and
- (e) none of the experts named in “E. Other information — 7. Qualifications of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

## D. SHARE OPTION SCHEME

### 1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by all Shareholders on 22 February 2017.

For the purpose of this section, unless the context otherwise requires:

“Board”	means our board of Directors from time to time or a duly authorised committee thereof;
“Eligible Person”	means, among others, any full-time or part-time employee of our Company or any member of our Group, including any executive, non-executive directors and independent non-executive directors, advisers, consultants of our Company or any of our subsidiaries;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;

“Option Period”	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant but which shall not exceed ten years from the date of grant of such option;
“Other Schemes”	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
“Participant”	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
“Shareholders”	means shareholders of our Company from time to time;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of the GEM Listing Rules) of our Company, whether incorporated in Hong Kong or elsewhere; and
“Trading Day”	means a day on which trading of Shares take place on the Stock Exchange.

**(a) Purpose of the Share Option Scheme**

The Share Option Scheme enables our Company to grant Options to Eligible Persons as incentives or rewards for their contributions to our Group.

**(b) Who may join**

Our Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than 5 Trading Days from the date on which the Option is granted.

**(c) Grant an Option**

Any grant of Options must not be made after inside information has come to the knowledge of our Company or a price sensitive matter has been the subject of a decision, until such price sensitive matter has been announced pursuant to the relevant requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company’s results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and (b) the deadline for our

Company to publish an announcement of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. Our Directors may not grant any Option to an Eligible Person during the periods or times in which the Directors are prohibited from dealing in shares pursuant to Rules 5.48 to 5.67 prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, our Company may make a further grant of Options to such Participant (the “**Further Grant**”) notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to our Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the GEM Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders’ meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

*(d) Price of Shares*

The subscription price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be the highest 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 Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share.

For the purpose of calculating the subscription price, in the event that on the date of grant, our Company has been listed for less than five Trading Days, the Offer Price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) *Maximum number of Shares*

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”) provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 800,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 80,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (ii) Subject to the approval of Shareholders in general meeting, our Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders’ approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders’ approval referred to in this paragraph (ii), our Company shall send a circular to our Shareholders containing the information required by the GEM Listing Rules.
- (iii) Subject to the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by our Company before such Shareholders’ approval is sought. In relation to the Shareholders’ approval referred to in this paragraph (iii), our Company shall send a circular to our Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the GEM Listing Rules.
- (iv) Notwithstanding the foregoing, our Company may not grant any Options if the 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 Other Schemes exceeds 30% of the Shares in issue from time to time.

(f) *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 to be determined and notified by our Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

***(g) Rights are personal to grantee***

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option.

***(h) Rights on death***

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options up to the Participant's entitlement (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

***(i) Changes in capital structure***

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to the Options so far as unexercised, and/or the exercise price, and/or the method of exercise of the Options, and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must give a Participant the same proportion of the equity capital as that to which that Participant was previously entitled and shall be made on the basis that the aggregate exercise price payable by Participant on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value and, unless with the prior approval of the Shareholders in general meeting, no such adjustments may be made to the advantage of the Participant. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser of our Company or the auditors of our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

***(j) Rights on take-over***

If a general offer (whether by way of takeover offer as defined in the Takeovers Code or scheme of arrangement or otherwise in like manner) has been made to all our Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days

after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, “acting in concert” shall have the meaning ascribed to it under the Takeovers Code as amended from time to time.

**(k) Rights on a compromise or arrangement**

- (i) In the event of a notice is given by our Company to our Shareholders to convene a Shareholders’ meeting for the purpose of considering and approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the Participants and the Participants may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two business days prior to the proposed meeting) exercise the outstanding Option either in full or in part and 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 Shareholders’ meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise.
- (ii) In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 10.18(3) of the GEM Listing Rules), our Company shall give notice thereof to all Participants on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the Participants may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two Trading Days prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company’s share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise credited as fully paid and registered the Participants as holders thereof.

**(l) Lapse of Option**

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board and under the Share Option Scheme;
- (ii) subject to paragraphs (f) and (p), the expiry of the Option Period of the Option;
- (iii) subject to paragraph (k)(i), the date of commencement of the winding-up of our Company;

- (iv) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (k)(ii);
- (v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;
- (vi) the happening of any of the following events, unless otherwise waived by our Board:
  - (1) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Participant (being a corporation); or
  - (2) the Participant (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts or otherwise become insolvent; or
  - (3) there is unsatisfied judgment, order or award outstanding against the Participant or our Company has reason to believe that the Participant is unable to pay or has no reasonable prospect of being able to pay his/her/its debts; or
  - (4) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in sub-paragraphs (1), (2) and (3) above; or
  - (5) a bankruptcy order has been made against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
  - (6) a petition for bankruptcy has been presented against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
- (vii) the date the Participant commits any breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by our Board; or
- (viii) the date on which our Board resolves that the Participant has failed or otherwise is or has been unable to meet the continuing eligibility criteria.

***(m) Ranking of Shares***

Shares allotted and issued upon the exercise of an Option will be subject to our Articles of Association as amended from time to time and will rank *pari passu* in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue. Any Share allotted upon the exercise of the Option shall not carry voting rights until the name of the Grantee has been entered into the register of members of the Company as the holder thereof.

***(n) Cancellation of Options granted***

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing.

In the event that our Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

***(o) Period of Share Option Scheme***

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

***(p) Alteration to and termination of Share Option Scheme***

The Share Option Scheme may be altered in any respect by resolution of our Board, except that the provisions of the Share Option Scheme relating to matters contained in Chapter 23 of the GEM Listing Rules shall not be altered to the advantage of the Participant or the prospective Participants without the prior approval of our Shareholders in general meeting (with the Eligible Persons, the Participants and their respective close associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Participants as would be required by our Shareholders under our Articles of Association (as amended from time to time) for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature shall first be approved by the Stock Exchange, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to our Shareholders seeking approval for the first new scheme to be established after such termination.

***(q) Granting of Options to a director, chief executive or substantial shareholder of our Company or any of their respective associates***

Where Options are proposed to be granted to a director, chief executive or substantial shareholder of our Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a substantial shareholder of our Company or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK\$5 million, then the proposed grant of Options must be approved by our Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the resolution provided that his or her intention to do so has been stated in the circular. The circular must contain the information required under the GEM Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a substantial shareholder of our Company, an independent non-executive Director or their respective associates.

The circular must contain the following:

- (i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders, as to voting; and

(iii) all other information as required by the GEM Listing Rules.

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the GEM Listing Rules) of our Company set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive of our Company.

**(r) *Conditions of Share Option Scheme***

The Share Option Scheme is conditional on (i) the passing of a resolution to adopt the Share Option Scheme by the Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Share which may be issued pursuant to the exercise of Options.

Application has been made to the Listing Division for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options that may be granted under Share Option Scheme.

**(s) *Present status of the Share Option Scheme***

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

The terms of the Share Option Scheme are in compliance with Chapter 23 of the GEM Listing Rules.

**E. OTHER INFORMATION**

**1. Tax and other indemnities**

Each of our Controlling Shareholders (collectively, the “**Indemnifiers**”) has entered into the Deed of Indemnity (being the material contract referred to in “B. Further information about the business of our Group — 7. Summary of material contracts — (d) the Deed of Indemnity” in this Appendix) with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any tax (which includes estate duty) liabilities in whatever part of the world which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received, or of any transactions entered into, or the occurrence of any matters or things on or up to the date on which the Public Offer becomes unconditional (the “**Effective Date**”), save for any taxation the extent that:
  - (i) full provision has been made for such taxation in the audited accounts of our Group for the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016 (the “**Accounts**”) as set out in Appendix I to this

prospectus and to the extent that such taxation is incurred or accrued since 1 September 2016 which arises in the ordinary course of business of our Group as described in the section headed “Business” in the Prospectus;

- (ii) falling on any member of our Group on or after 1 September 2016, unless the liability for such taxation would not have arisen but for any act or omission of, or delay by, or transactions voluntarily effected by any member of our Group (whether alone or in conjunction with some other act, omission, delay or transaction, whenever occurring) other than in the ordinary course of its business or in the ordinary course of acquiring or disposing of capital assets or pursuant to a legally binding commitment created before 1 September 2016;
  - (iii) such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong, or the Cayman Islands, or any other part of the world) coming into force after the Effective Date or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; and
  - (iv) any provisions or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers’ liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the deed of indemnity to reduce the Indemnifiers’ liability in respect of taxation shall not be available in respect of any such liability arising thereafter; and
- (b) all claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any of the subsidiary of our Group directly or indirectly as a result of or in connection with the non-compliance or alleged non-compliance by any subsidiary of our Group with any applicable laws, rules and regulations in Hong Kong or any jurisdictions in the course of its business occurred on or before the Listing Date and/or all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by any the subsidiary of our Group in respect of or arising directly or indirectly from or on the basis of or in connection with any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted or threatened against any the subsidiary of our Group and/or any act, non-performance, omission or otherwise of any the subsidiary of our Group accrued or arising on or before the Listing Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands or the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

**2. Litigation**

Save as disclosed in the paragraphs headed “Business — Litigation and potential claims” in this prospectus, neither our Company nor any of our subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened by or against our Company or any of our subsidiaries, that would have a material adverse effect on our Group’s results of operations or financial condition.

**3. Sole Sponsor**

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of any options which may be granted under the Share Option Scheme.

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

**4. Compliance adviser**

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Alliance Capital as compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

**5. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are approximately HK\$33,540 and are payable by our Company.

**6. Promoter**

Our Company has no promoter.

**7. Qualifications of experts**

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

<b>Name</b>	<b>Qualification</b>
Alliance Capital Partners Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Appleby	Cayman Islands attorneys at law
Baker Tilly Hong Kong Risk Assurance Limited	Internal Control Consultant
Deloitte Touche Tohmatsu	Certified Public Accountants
Edwin Yeung & Company (CPA) Limited	Certified Public Accountants
Frost & Sullivan International Limited	Industry consultant
Ms. Ng Wing Shan Queenie	Barrister-at-law in Hong Kong

**8. Consents of experts**

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or summaries thereof (as the case may be) and the references to its name included in this prospectus in the form and context in which it respectively appears.

**9. Sponsor's fees**

The Sole Sponsor will be paid by our Company a total fee of HK\$4.7 million to act as sponsor to our Company in connection with the Listing.

**10. Binding effect**

This prospectus 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 penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**11. Particulars of the Selling Shareholders**

The Selling Shareholders are Diamondfield, a company incorporated in the BVI with limited liability on 25 August 2016 with registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, the BVI, and Sharp Talent, a company incorporated in the BVI with limited liability on 4 July 2016 with registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, the BVI. Diamondfield and Sharp Talent are legally and beneficially wholly owned by Mr. Ho and Mr. Leung respectively. Both Diamondfield and Sharp Talent are investment holding companies. The number of Sale Shares to be sold by Diamondfield and Sharp Talent are 21,319,091 Shares and 45,680,909 Shares respectively.

**12. Miscellaneous**

- (a) Save as disclosed in this Appendix and the sections headed “History, reorganisation and corporate structure” and “Underwriting” of this prospectus, within the two years preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
  - (iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company.
- (b) 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.
- (c) No founder, management or deferred shares of our Company or any of our subsidiaries has been issued or agreed to be issued.
- (d) Our Directors confirm that, up to the date of this prospectus, save as disclosed in “Summary — Recent developments and material adverse change”, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 August 2016 (being the date to which the latest audited combined financial statements of our Group were made up), and there had been no event since 31 August 2016 which would materially affect the information as shown in the Accountants’ Report.
- (e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.

- (f) None of Alliance Capital, Appleby, Baker Tilly, Deloitte Touche Tohmatsu, Edwin Yeung & Company (CPA) Limited, Frost & Sullivan and Ms. Ng Wing Shan Queenie:
  - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.
- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system and no part of the shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of its shares or loan capital on any other stock exchange.
- (h) Our Company has no outstanding convertible debt securities.
- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (j) There are no arrangements under which future dividends are waived or agreed to be waived.

### **13. Bilingual prospectus**

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

### **14. 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.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

#### *(b) Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

*(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 parties involved in the Public Offer 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.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in the paragraph headed “E. Other information — 8. Consents of experts” in Appendix IV to this prospectus, the statement of adjustments referred to in the paragraph below headed “Documents available for inspection”, copies of the material contracts referred to in the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus and the statement of particulars of the Selling Shareholders.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of TC & Co. of Units 2201–2203, 22nd Floor, Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles of Association;
2. the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus together with the statement of adjustments;
3. the audited financial statements of Fulam Construction for each of the year ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016, and the audited financial statements of Fulam Engineering for each of the year ended 31 December 2014, 31 December 2015 and the eight months ended 31 August 2016;
4. the independent reporting accountants’ assurance report prepared by Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which are set out in Appendix II to this prospectus;
5. the counsel’s opinion issued by Ms. Ng Wing Shan Queenie;
6. the letter of advice prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
7. the Companies Law;
8. copies of material contracts referred to in the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus;
9. the service agreements and letters of appointment referred to in the paragraph headed “C. Further information about Directors, management and staff — 1. Directors” in Appendix IV to this prospectus;
10. the written consents referred to the paragraph headed “E. Other information — 8. Consents of experts” in Appendix IV to this prospectus;

11. the Share Option Scheme;
12. the F&S Report;
13. the statement of particulars of the Selling Shareholders;
14. the tax opinion issued by Edwin Yeung & Company (CPA) Limited, our Group's tax consultant; and
15. the internal control report prepared by Baker Tilly, our Group's internal control consultant.

**CHI HO DEVELOPMENT HOLDINGS LIMITED**  
**潛濤發展控股有限公司**