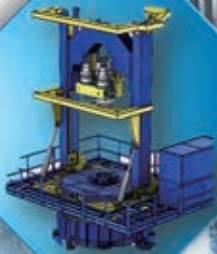




M&L Holdings Group Limited 明樑控股集團有限公司

Incorporated in the Cayman Islands with limited liability
Stock Code: 8152

PLACING AND PUBLIC OFFER



Sponsor



Investec

Joint Bookrunners and
Joint Lead Managers



雅利多證券
ARISTO SECURITIES LIMITED



長江證券(香港)
CHANGJIANG SECURITIES (HK)



CIFRA
DEVELOPMENT
FINANCIAL

IMPORTANT

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



M&L HOLDINGS GROUP LIMITED 明樑控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares under the Share Offer	: 150,000,000 Shares
Number of Public Offer Shares	: 15,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 135,000,000 Shares (subject to reallocation)
Maximum Offer Price	: HK\$0.5 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 8152

SPONSOR



JOINT BOOKRUNNERS AND JOINT LEAD MANAGERS



雅利多證券
ARISTO SECURITIES LIMITED



長江證券(香港)
CHANGJIANG SECURITIES (HK)



KGI

CHINA
DEVELOPMENT
FINANCIAL

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

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

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or around Wednesday, 12 July 2017 or such later time as may be agreed between the parties, but in any event, no later than 6:00 p.m. on Friday, 14 July 2017. If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by 6:00 p.m. on Friday, 14 July 2017, the Share Offer will not proceed and will lapse immediately. The Offer Price will be not more than HK\$0.5 per Offer Share and is currently expected to be not less than HK\$0.4 per Offer Share unless otherwise announced.

Prior to making investment decisions, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" of this prospectus.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with our consent and after consultation with the Sponsor, reduce the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, an announcement will be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.mleng.com not later than the morning of the day which is the last day for lodging applications under the Share Offer. Details of the arrangement will then be announced by us as soon as practicable. Please see the sections headed "Structure of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus.

Pursuant to the termination provisions contained in the Public Offer Underwriting Agreement in respect of the Public Offer Shares, the Joint Bookrunners, for themselves and on behalf of the Public Offer Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligations of the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the paragraph headed "Grounds for termination" of the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

No information on any website forms part of this prospectus.

30 June 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 higher 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 internet 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 website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM listed issuers.

EXPECTED TIMETABLE

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

Latest time to complete electronic applications under HK eIPO White Form service through the designated website at www.hkeipo.hk ⁽⁴⁾	11:30 a.m. on Thursday, 6 July 2017
Application lists open ⁽²⁾	11:45 a.m. on Thursday, 6 July 2017
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Thursday, 6 July 2017
Latest time to give electronic application instructions to HKSCC ⁽³⁾	12:00 noon on Thursday, 6 July 2017
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, 6 July 2017
Application lists close ⁽²⁾	12:00 noon on Thursday, 6 July 2017
Expected Price Determination Date ⁽⁵⁾	Wednesday, 12 July 2017
Announcement of the Offer Price, the indication of the levels of interest in the Placing, the level of application in the Public Offer and the basis of allocation under the Public Offer to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.mleng.com on or before	Thursday, 20 July 2017

EXPECTED TIMETABLE

Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for Public Offer Shares – 11. Publication of Results" in this prospectus, and will be available at www.tricor.com.hk/ipo/result with a "search by ID" function fromThursday, 20 July 2017

Despatch of Share certificates in respect of wholly or partially successful applications and **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful or wholly successful (if applicable) applications on or before⁽⁶⁾ Thursday, 20 July 2017

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on Friday, 21 July 2017

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus. If there is any change in this expected timetable, an announcement will be published in the *The Standard* (in English) and in the *Hong Kong Economic Times* (in Chinese) and on the website of the Stock Exchange and our website.
- (2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 6 July 2017, the application lists will not open and close on that day. Further information is set out in the paragraph headed "How to Apply for Public Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.
- (3) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to Apply for Public Offer Shares – Applying by Giving **Electronic Application Instructions** to HKSCC" in this prospectus.
- (4) Applicants will not be permitted to submit their application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If an applicant has already submitted its application and obtained a payment reference number from the designated website prior to 11:30 a.m., the applicant will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (5) We expect to determine the Offer Price by agreement with the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 12 July 2017 and, in any event, not later than 6:00 p.m. on Friday, 14 July 2017. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company by 6:00 p.m. on Friday, 14 July 2017, the Share Offer will not proceed and will lapse.

EXPECTED TIMETABLE

- (6) Applicants who apply for 1,000,000 or more Public Offer Shares and have provided all information required by their Application Forms, they may collect their Share certificates (if applicable) and refund cheques (if applicable) in person from our Hong Kong Branch 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 Thursday, 20 July 2017 or any other date notified by us in the newspapers as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques will be despatched by ordinary post to the addressees specified in the relevant applications at the applicants' own risk. Further information is set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

e-Auto Refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Public Offer Share payable on application. 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 would also be transferred to a third party to facilitate your refund. 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 lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

For further details in relation to the Public Offer, please refer to the sections headed "How to Apply for Public Offer Shares" and "Structure of the Share Offer" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and the Offer Shares 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 pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

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

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We position ourselves as an Integrated Engineering Solutions provider in connection with specialised cutting tools and parts for construction equipment with particular focus on Disc Cutters. Disc Cutters are widely used in conjunction with TBMs and micro-tunnelling equipment and typically applied towards the excavation of tunnels with a circular cross section through a variety of soil and rock strata. In addition to our focus in the tunnelling sector, we also provide Integrated Engineering Solutions to our customers in the foundation sector. Under our Integrated Engineering Solutions business model, we provide the following products and services, namely: (i) supply of specialised cutting tools and parts for construction equipment, which are primarily related to Branded Products; (ii) supply of fabricated construction steel works and equipment, which are primarily related to M&L Custom-made Products; (iii) supply of specialised construction equipment, which are primarily related to Branded Products; and (iv) ancillary services which include leasing of specialised construction equipment, and repair and maintenance services. For further information on our business model, please refer to the paragraphs headed “Business – Our business model” and “Business – Products supplied by our Group” in this prospectus.

In general, our Integrated Engineering Solutions combine engineering-oriented professional expertise with application knowledge in respect of, where appropriate, (i) project analysis involving geological analysis, consumption estimation of TBM Disc Cutters, recommend deployment of relevant cutting tools and parts as part of our pre-sale services; (ii) ongoing advice, installation, monitoring and assessment on the deployment, usage and functionality of the Branded Products supplied by us; (iii) procurement and inventory management; (iv) the provision of repair and maintenance services for certain consumable Branded Products as well as relevant technical support; (v) the leasing and supply of specialised construction equipment; and (vi) the provision of engineering solutions to fabricated construction steel works and equipment tools and parts for construction equipment which may involve us conducting in-house research and development on (a) the feasibility, design and functionalities of a new product to derive a solution to cater for our customers’ requirements; or (b) improvement to existing product designs provided by our customer.

COMPETITIVE STRENGTHS

We believe that our success and our potential for future growth are largely attributable to a combination of our competitive strengths set out as follows, each of which is discussed in more details under the paragraph headed “Business – Competitive strengths” in this prospectus:

- We have an established history in the supply of specialised cutting tools and parts for construction equipment with practical knowledge in providing Integrated Engineering Solutions to our customers, in particular for tunnelling projects;
- We have extensive customer networks and relationships with market participants in various Southeast Asian countries and the PRC and we are well-positioned to capture opportunities in the construction industry (tunnelling sector) in these countries;

SUMMARY

- We believe our Integrated Engineering Solutions is a key differentiator;
- We have an experienced management team; and
- We have long established business relationships with our main suppliers.

BUSINESS STRATEGIES

The business strategies of our Group are as follows: (i) strengthen our leadership position as an Integrated Engineering Solutions provider in the tunnelling sector in Hong Kong; (ii) broaden customer base and enhance our competitiveness in the PRC and Singapore; (iii) compete for sizeable contracts; (iv) extend our Integrated Engineering Solutions capabilities; and (v) strengthen our competence through the establishment of our own fabricated construction steel factory, Disc Cutter repair centre and expansion of our workforce.

SUPPLIERS AND FABRICATED STEEL FACTORIES

Palmieri Group has been our largest supplier during the Track Record Period, which supplied approximately 75.0% and 81.1% of our total cost of sales for the years ended 31 December 2015 and 31 December 2016, respectively. With a view to further enhance the supplier-agent relationship between our Group and Palmieri Group which dates back to 1998, M&L (as the exclusive agent) and Palmieri (as the supplier) entered into the 2015 Exclusive Agreement on 28 May 2015. Pursuant to the 2015 Exclusive Agreement, with an extended term of 20 years, Palmieri appoints M&L as its sole and exclusive agent and representative for, among others, (i) the Palmieri Tunnelling Products in the TP Territories; and (ii) the Palmieri Vertical Drilling Products in the VDP Territories. In addition, on 22 December 2016, we entered into the 2016 Exclusive Agreement with Palmieri in respect of TBM products of not less than three meters in diameter in Australia and New Zealand for an initial term of five years. For further details, please refer to the paragraph headed “Business – Suppliers and Fabricated Steel Factories – Our largest supplier – Palmieri Group” in this prospectus. For the years ended 31 December 2015 and 31 December 2016, our five largest suppliers (including the Fabricated Steel Factories) accounted for approximately 98.2% and 96.9% of our cost of sales, respectively. We have maintained business relationships, which ranged from three to 19 years, with our five largest suppliers. As at the Latest Practicable Date, our Group had entered into nine agreements with our various suppliers with exclusivity or first right of refusal clause. For details, please refer to the paragraph headed “Business – Suppliers and Fabricated Steel Factories” in this prospectus.

CUSTOMERS

For the years ended 31 December 2015 and 31 December 2016, our Group’s largest customer accounted for approximately HK\$116.6 million and HK\$75.8 million, respectively, representing approximately 37.6% and 30.7% of our revenue, respectively. Sales to our Group’s five largest customers for the same periods totalled to approximately HK\$233.1 million and HK\$204.9 million, respectively, representing approximately 75.2% and 82.8% of our revenue, respectively. All of the revenue derived from our top five largest customers during the Track Record Period was related to tunnelling projects in Hong Kong, the PRC or Singapore. During the Track Record Period, our customers in the tunnelling and foundation segment were typically main contractors or sub-contractors. Our Group also supply products and services to our customers for foundation projects in Hong Kong.

HISTORY

Our history can be traced back to 1994 when our chairman, chief executive officer and an executive Director, Mr. Ng, together with two Independent Third Parties founded M&L. At that time, the principal activities of M&L consisted primarily of supplying of specialised

SUMMARY

cutting tools and parts for foundation construction equipment business. Our Group subsequently expanded into the supply of specialised construction equipment in 1996, supply of specialised disc cutters, tools and parts for TBMs and micro-tunnelling equipment business in 1998, and supply of fabricated construction steel works and equipment for the foundation industry in 1999.

INDUSTRY OVERVIEW

During the Track Record Period, our principal markets are Hong Kong, the PRC and Singapore. Our business can broadly be categorised into two segments, namely tunnelling and foundation.

To the knowledge of Ipsos, other than our Group, there are no other TBM Disc Cutter suppliers (which is not a TBM manufacturer) offering similar services to our Integrated Engineering Solutions in Hong Kong and Singapore. The provision of the Integrated Engineering Solutions is considered to be a key product differentiator of our Group against our competitors. In Hong Kong, among the 14 TBM tunnel works projects with construction periods completely or partly occurring during the period from 2011 to 2018, our Group was involved in the supply of TBM Disc Cutters which may include the provision of repair and maintenance services for eight projects, accounted for approximately 74.1% of the total length of the aforesaid 14 TBM tunnel works projects in Hong Kong (discounting the involvement of other supplies of TBM Disc Cutter in the projects that our Group has supplied TBM Disc Cutters for). In the PRC, notwithstanding that Palmieri, being our largest supplier during the Track Record Period, is renowned for its quality and our Group was able to supply TBM Disc Cutters with the Palmieri brand with better performance than those of the local brands, our Group did not attribute to a substantial market share of the TBM Disc Cutter market because of the fragmented market structure.

According to the Ipsos Report, (i) in Hong Kong, the major driver of the TBM Disc Cutters industry in Hong Kong is the implementation of large scale infrastructure projects, such as the TBM tunnel works of the “Ten Major Infrastructure Projects” introduced in 2007 and the railway schemes proposed in the “2014 Railway Development Strategy” published by the Transport and Housing Bureau. The TBM tunnel works industry witnessed a spike in the contract value in 2013 and 2014, after which the contract value of the industry experienced a moderate drop as several of the TBM tunnel works finished by 2014 and 2015. Such has adversely affected our Group’s business and financial performance in Hong Kong during the Track Record Period. The demand for TBM Disc Cutters is likely to be lower until 2018 because the remaining TBM tunnel works are expected to complete by 2018. However, it is expected that new TBM tunnel works are likely to commence after 2018 due to the upcoming infrastructure projects which support the long-term land use strategy. With the Government’s strategic goals on transport infrastructure as emphasised in the 2017-2018 Policy Address and the trend of implementing large-scale infrastructure projects is likely to continue, the anticipated new TBM tunnel works will continue to drive the demand for TBM Disc Cutters; (ii) in the PRC, the total spending on tunnel construction increased from approximately US\$30.7 billion in 2011 to approximately US\$59.2 billion in 2015, which can mainly be attributed to the growing government investments in road and rail infrastructure. The forecast of tunnel construction spending from 2016 to 2020 is also positive, which is expected to grow further from approximately US\$67.0 billion in 2016 to approximately US\$96.0 billion in 2020. The use of TBMs is the most popular and prevalent among different tunnelling methods. The major driver of the TBM Disc Cutter industry in the PRC is the expanding TBM market, which is mainly driven by the implementation of large scale infrastructure projects. For example, as of 2016, approximately RMB4.7 trillion in funding was planned for a total of 303 projects across the country including railways and metro systems, which will likely provide substantial business opportunities for tunnel works and thus the TBM Disc Cutter industry. The trend of implementing large scale infrastructure projects is also likely to continue, especially large scale cross border infrastructure projects (including (a) projects under the One Belt, One Road initiative proposed and led by the PRC Government and

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supported by PRC's policies banks, namely, the China Development Bank and the China Export-Import Bank, which is expected to include construction of a network of overland roads, rail links, energy pipelines and telecommunications ties linking the PRC, Central Asia, the Middle East, Europe and Russia; and (b) the expected increase in participation by Asian Infrastructure Investment Bank in financing Asian based infrastructure projects with a priority to enhance cross-country connectivity), which are expected to underpin the relationship between the PRC and its neighbouring countries; and (iii) in Singapore, driven by the tunnelling projects arising from the rapid development of the MRT system, utility projects with Singapore Power and the PUB and underground oil storage facilities, the outlook of the TBM Disc Cutter industry remains positive.

Given the nature of the construction industry, we operate on a project-by-project basis. As an Integrated Engineering Solutions provider, the majority of our contracts on hand is not long term contracts and our Directors expected that the majority of our contracts shall be completed on or before the first half year of 2018 and hence we have a relatively short financial visibility.

SUMMARY FINANCIAL INFORMATION AND OPERATIONAL DATA

The following is a summary of our Group's consolidated financial information derived from the consolidated statements of comprehensive income and consolidated balance sheets from the Accountant's Report for the Track Record Period, which is included in Appendix I to this prospectus. The summary below should be read in conjunction with the financial information included in the Accountant's Report in Appendix I to this prospectus, together with the accompanying notes.

Summary of consolidated statements of comprehensive income

	For the year ended 31 December 2015 <i>HK\$'000</i>	For the year ended 31 December 2016 <i>HK\$'000</i>
Revenue	310,098	247,348
Gross profit	74,352	73,270
Profit for the year attributable to the equity holders of the Company	<u>26,436</u>	<u>21,150</u>

Our Group derived the majority of revenue from the tunnelling segment, which accounted for approximately 96.0% and 94.4% of our revenue during the years ended 31 December 2015 and 31 December 2016, respectively. The remaining revenue of approximately 4.0% and 5.6% were derived from the foundation segment. During the years ended 31 December 2015 and 31 December 2016, our supply of specialised cutting tools/parts for construction equipment accounted for 77.4% and 82.6% of our revenue, respectively. Geographically, revenue from Hong Kong, the PRC and Singapore accounted for approximately 45.8%, 33.3% and 20.3% for the year ended 31 December 2015, respectively. While for the year ended 31 December 2016, revenue from Hong Kong, the PRC and Singapore accounted for approximately 33.3%, 44.4% and 22.3%, respectively.

For the two years ended 31 December 2015 and 2016, our Group derived revenue of approximately HK\$80.3 million and HK\$65.0 million from the three largest contracts during the relevant period, respectively. All of the aforesaid contracts are related to our Group's tunnelling segment. Although the number of sizeable contracts has increased from 16 for the year ended 31 December 2015 to 17 for the year ended 31 December 2016, the number of

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contracts of which our Group derived revenue of over HK\$10 million decreased from seven for the year ended 31 December 2015 to four for the year ended 31 December 2016. In addition, our Group derived revenue of approximately HK\$121.1 million and HK\$99.6 million from contracts with a contract sum less than HK\$4 million, for each of the years ended 31 December 2015 and 2016, respectively.

Cost of sales represents costs and expenses directly attributable to our revenue generating activities. Our cost of inventories sold accounted for the largest part of our cost of sales. During the years ended 31 December 2015 and 31 December 2016, we recorded cost of sales of approximately HK\$235.7 million and HK\$174.1 million, respectively, representing approximately 76.0% and 70.4% of our total revenue over the same period, respectively, of which our cost of inventories sold accounted for approximately 98.7% and 98.9% of our cost of sales, respectively.

For the year ended 31 December 2015, our gross profit amounted to approximately HK\$74.4 million, of which approximately HK\$72.1 million and HK\$2.2 million was attributable to the tunnelling segment and foundation segment, respectively. For the year ended 31 December 2016, our gross profit amounted to approximately HK\$73.3 million, of which approximately HK\$69.5 million and HK\$3.8 million was attributable to the tunnelling segment and foundation segment, respectively.

Summary of consolidated balance sheets

	As at 31 December 2015 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
Current assets	209,831	160,663
Current liabilities	147,460	83,778
Net current assets	62,371	76,885
Non-current assets	15,732	15,997
Non-current liabilities	5,947	1,397
Net assets	72,156	91,485

Summary of consolidated statements of cash flows

	For the year ended 31 December 2015 <i>HK\$'000</i>	For the year ended 31 December 2016 <i>HK\$'000</i>
Net cash generated from operating activities (<i>Note</i>)	16,694	26,460
Net cash used in investing activities	(832)	(7,136)
Net cash generated from/(used in) financing activities	6,142	(38,539)
Net increase/(decrease) in cash and cash equivalents	22,004	(19,215)
Cash and cash equivalents at beginning of the year	42,511	63,951
Currency translation differences	(564)	(379)
Cash and cash equivalents at end of the year	63,951	44,357

Note: Inclusive of cash generated from operation before changes in working capital of approximately HK\$37.4 million and HK\$31.6 million for the years ended 31 December 2015 and 31 December 2016, respectively.

SUMMARY

Key financial ratios

The following table set forth the key financial ratios of our Group during the Track Record Period:

	As at/ the year ended 31 December 2015	As at/ the year ended 31 December 2016
Current ratio ⁽¹⁾	1.42	1.92
Quick ratio ⁽²⁾	1.16	1.56
Gearing ratio ^(3&4)	–	–
Return on equity ratio ⁽⁵⁾	36.6%	23.1%
Return on assets ratio ⁽⁶⁾	11.7%	12.0%
Interest coverage ratio ⁽⁷⁾	149.8 times	34.2 times

Notes:

- (1) Current ratio is calculated by dividing current assets by current liabilities as at the respective end of the year.
- (2) Quick ratio is calculated by dividing current assets less inventory by current liabilities as at the respective end of the year.
- (3) Gearing ratio is calculated by dividing net debts (being the total interest-bearing loans including banks and other borrowings and amounts due to related parties and shareholders less cash and cash equivalents) by total equity as at the respective end of the year.
- (4) Our Group was in net cash position as at 31 December 2015 and 31 December 2016, respectively.
- (5) Return on equity ratio is calculated by dividing profit for the year attributable to equity holders of the Company by the total equity as at the respective year-end date.
- (6) Return on total assets ratio is calculated by dividing profit for the year attributable to equity holders of the Company by the total assets as at the respective year-end date.
- (7) Interest coverage ratio is calculated by dividing profit before interest and tax by the finance cost for the corresponding year.

For further details, please refer to paragraph headed “Financial Information – Key Financial Ratios”.

Revenue by principal activities

Products and services	Year ended 31 December 2015		Year ended 31 December 2016	
	HK\$'000	%	HK\$'000	%
Supply of specialised cutting tools/parts for construction equipment	239,955	77.4	204,401	82.6
Supply of fabricated construction steel works and equipment	56,827	18.3	29,418	11.9
Supply of specialised construction equipment	5,165	1.7	3,193	1.3
Ancillary services (<i>Note</i>)	8,151	2.6	10,336	4.2
	<u>310,098</u>	<u>100.0</u>	<u>247,348</u>	<u>100.0</u>

Note: Ancillary services include leasing of specialised construction equipment, and repair and maintenance services.

SUMMARY

During the Track Record Period, our Group derived over 90% of revenue from the supply of Branded Products and M&L Custom-made Products. For each of the years ended 31 December 2015 and 31 December 2016, the gross profit margin of (i) the supply of Branded Products was approximately 23.4% and 26.7%, respectively; and (ii) the supply of M&L Custom-made Products was approximately 21.4% and 28.6%, respectively.

Sizeable contracts during the Track Record Period

We have set out a breakdown of the sizeable contracts (i.e. with a contract sum of not less than HK\$4.0 million) (*Note 1*) carried out by our Group during the Track Record Period:

	Number of sizeable tunnelling contracts in progress or completed	Number of sizeable foundation contracts in progress or completed	Total number of sizeable contracts in progress or completed	Total revenue derived from sizeable contracts HK\$'000	Total revenue derived from contract/purchase order(s) amount less than HK\$4.0 million HK\$'000	Total Revenue HK\$'000
During the year ended 31 December 2015	15 (<i>Note 2</i>)	1 (<i>Note 3</i>)	16 (<i>Note 4</i>)	188,966	121,132	310,098
During the year ended 31 December 2016	17 (<i>Note 5</i>)	–	17 (<i>Note 6</i>)	147,748	99,600	247,348

Notes:

- (1) For determining the number of contracts, we deem all contracts and purchase orders which are identified to be attributable to the same construction project as one contract.
- (2) Seven sizeable tunnelling contracts were for projects lasted for more than one financial year.
- (3) No sizeable foundation contract was for projects lasted for more than one financial year.
- (4) Seven sizeable contracts were for projects lasted for more than one financial year.
- (5) Seven sizeable tunnelling contracts were for projects lasted for more than one financial year.
- (6) Seven sizeable contracts were for projects lasted for more than one financial year.

RECENT DEVELOPMENTS

Based on our unaudited management accounts of the Group made up to the period of the four months ended 30 April 2017, the unaudited monthly revenue for the four months ended 30 April 2017 was lower than the monthly average revenue for the year ended 31 December 2016, which was mainly attributable to the relatively low revenue recorded in February 2017 due to Chinese New Year holiday, and such impact was partially offset by the increase in revenue derived from projects located in the PRC and related to the supply of specialised cutting tools and parts for construction equipment in January and March 2017.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we were awarded with four sizeable contracts and one purchase order under an ongoing project for the supply of specialised cutting tools and parts for construction equipment with purchase amount exceeding HK\$4.0 million. All of the aforesaid sizeable contracts were for tunnelling projects

SUMMARY

in the PRC and the aforesaid purchase order was related to tunnelling project in Singapore. The aforesaid sizeable contracts and purchase order have an aggregate contract/purchase amount of approximately HK\$27.9 million. Our outstanding contracts on hand as at the Latest Practicable Date amounted to approximately HK\$15.4 million, most of which is expected to be recognised as revenue for the year ending 31 December 2017.

The total indebtedness of our Group as at 30 April 2017, being the latest practicable date for determining the amount of indebtedness in this prospectus, amounted to approximately HK\$20.1 million. Further details of our Group's indebtedness statement as at 31 December 2015, 31 December 2016 and 30 April 2017 are set out under the paragraph headed "Financial information – Indebtedness" in this prospectus.

CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue, without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, our Company is owned as to approximately 60.68% by BVI (X), 5.17% by Mr. Cheung, 4.84% by Mr. Timothy Ng, 0.75% by Mr. Larry Ng and 3.56% by the Pre-IPO Investor. Each of BVI (X) and Mr. Ng is considered as a Controlling Shareholder for the purpose of the GEM Listing Rules. Mr. Ng is also an executive Director, chairman of the Board and the chief executive officer of our Group. For further details, please refer to section headed "Relationship with our Controlling Shareholders" in this prospectus.

LISTING EXPENSES

The listing expenses primarily represent professional fees for our Share Offer. The total listing expenses are estimated to be approximately HK\$28.5 million, of which (i) approximately HK\$8.9 million will be charged against the share premium account upon completion of the Listing; (ii) approximately HK\$8.1 million was recognised as expense in the consolidated statements of comprehensive income during the Track Record Period; and (iii) approximately HK\$11.5 million will be recognised as expense in the consolidated statements of comprehensive income for the period from January 2017 to July 2017. Our Group's financial performance and results of operations for the year ending 31 December 2017 will be significantly affected by the estimated expenses in relation to the Listing.

OFFER STATISTICS

	Based on minimum indicative Offer Price of HK\$0.4	Based on maximum indicative Offer Price of HK\$0.5
Market capitalisation of our Shares ⁽¹⁾	HK\$240.0 million	HK\$300.0 million
Unaudited pro forma adjusted net tangible asset value per Share ⁽²⁾	HK\$0.21 million	HK\$0.24 million

Notes:

- (1) The calculation of market capitalisation is based on the 600,000,000 Shares expected to be in issue immediately upon completion of the Share Offer and the Capitalisation Issue.
- (2) The unaudited pro forma adjusted consolidated 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.

SUMMARY

USE OF PROCEEDS

The net proceeds from the Share Offer, after deducting underwriting fees and estimated expenses paid and payable by us in connection thereto, are estimated to be approximately HK\$39.0 million, assuming an Offer Price of HK\$0.45 per Share, being the mid-point of the proposed Offer Price range of HK\$0.4 to HK\$0.5 per Share. We intend to use such net proceeds as follows:

- approximately HK\$16.0 million (or approximately 41.0% of the net proceeds) will be used to further develop our fabricated construction steel works and equipment business in the PRC, including the set up of our fabricated construction steel factory in the PRC, acquiring the required machinery and equipment, the recruitment of one sales manager, one plant manager and six workers;
- approximately HK\$13.6 million (or approximately 34.9% of the net proceeds) will be used to acquire and/or partly finance the expansion of our fleet of specialised construction machinery and equipment for leasing and/or trading;
- approximately HK\$5.5 million (or approximately 14.1% of the net proceeds) will be invested to expand our repair and maintenance services in the PRC for our tunnelling business; and
- approximately HK\$3.9 million (or approximately 10.0% of the net proceeds) will be assigned for general working capital purposes of our Group.

Please refer to the section headed “Future plans and use of proceeds” in this prospectus for further details (including the timing of the above use of proceeds).

REASONS FOR LISTING

Our Directors believe that the Listing is an important step for the implementation of our business strategies because the estimated net proceeds from the Share Offer would enable us to expand our existing businesses with a view to broadening our revenue base. Furthermore, our Directors consider that relying solely on organic growth from our ongoing operations will impose constraints on the overall growth of our Group, thus our Company needs the proceeds from the Share Offer for the implementation of our strategies to expand our businesses, strengthen our competence and enhance our competitiveness by further extending our Integrated Engineering Solutions capabilities. In addition, following the Listing, our profile and brand will be enhanced and be more credible to our potential and existing customers as well as our suppliers, which should in turn strengthen stakeholders’ confidence and place our Group in a better position to negotiate business terms. Our Directors consider such to be important to our Businesses as we have operations in Hong Kong and the overseas, and our existing and target customers include sizeable construction and engineering contractors which are listed companies and state-owned enterprises. A successful listing would also enable our Group to offer its employees better benefits and another alternative to incentivise our staff with a view to motivating and retaining key employees and align their interests with those of the shareholders’, through the introduction of the Share Option Scheme.

NO MATERIAL ADVERSE CHANGE

Save as disclosed under paragraph headed “Financial information – Listing expenses” in this prospectus, 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 December 2016 (being the date to which the latest audited consolidated financial statements of our Group were made up).

DIVIDENDS AND DISTRIBUTABLE RESERVES

For the years ended 31 December 2015 and 31 December 2016, dividends of approximately HK\$45.0 million and HK\$11.8 million were declared by our Group, respectively, representing approximately 170.2% and 55.9% of the respective year’s net profit

SUMMARY

attributable to equity holders of our Company. Subsequent to the Track Record Period, our Group declared a dividend of approximately HK\$11.1 million in March 2017, of which approximately HK\$10.0 million and HK\$1.1 million was attributable to equity holders of our Company and non-controlling interests, respectively. The entire dividend amount attributable to equity holders of our Company of approximately HK\$10.0 million has been settled. In April 2017, our Group has further declared a dividend of approximately HK\$8.4 million, of which approximately HK\$8.0 million and HK\$0.4 million was attributable to equity holders of our Company and non-controlling interests, respectively. The portion attributable to the equity holders of our Company has been settled.

Following completion of the Share Offer, our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and amount of dividends declared by our Board will depend upon our Group's (i) overall results of operation; (ii) financial position; (iii) capital requirements; (iv) shareholders' interests; (v) future prospects; and (vi) other factors which our Board deems relevant. Our Group currently does not have any dividend policy in place nor determined any fixed dividend payout ratio after Listing. Nevertheless, this should not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

Our Company was incorporated in the Cayman Islands on 24 September 2015 and has not carried on any business since the date of our incorporation. As at 31 December 2016, we had a distributable reserve of approximately HK\$75.3 million available for distribution to our shareholders.

PRINCIPAL RISK FACTORS

Our business is subject to a number of risks, including but not limited to risks relating to our business and industry, risks relating to the country in which we operate, and risks relating to the Share Offer. As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed "Risk factors" in this prospectus carefully before you decide to invest in the Offer Shares. Some of the major risks we face include:

- Our Businesses operate on a project-by-project basis and we may be unable to compete effectively or secure new contracts;
- A significant portion of our purchases of specialised cutting tools and parts for construction equipment were supplied by a few suppliers, in particular the Palmieri Group, during the Track Record Period;
- Reliance on key management personnel;
- During the Track Record Period, we sub-contracted the entire production of the M&L Custom-made Products to the Fabricated Steel Factories;
- Potential competition with the entry of other integrated engineering solutions (or similar services) providers may reduce our market share and adversely affect our business;
- Demand for our Businesses may be adversely impacted by slowdown in the tunnelling and foundation sectors in Hong Kong, PRC and Singapore;
- We are exposed to our customers' credit risks; and
- Our limited management experience in operating our own fabricated construction steel factory in the PRC.

SYSTEMIC NON-COMPLIANCE

During the Track Record Period, we had been involved in systemic non-compliance with the IAE Registration Regulations regarding the filing of accurate import and export declarations within the prescribed period. For further details, please refer to the paragraph headed "Business – Regulatory compliance" in this prospectus.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus.

“2015 Exclusive Agreement”	the exclusive agency agreement dated 28 May 2015 and entered into between M&L (as the sole and exclusive agent and representative) and Palmieri in respect of (i) the Palmieri Tunnelling Products in the TP Territories and for the TP Customers; and (ii) the Palmieri Vertical Drilling Products in the VDP Territories
“2016 Exclusive Agreement”	the exclusive agency agreement dated 22 December 2016 and entered into between M&L (as the sole and exclusive agent and representative) and Palmieri in respect of products for TBM of not less than three meters in diameter in Australia and New Zealand
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), individually or collectively, as the context may require
“Aristo”	Aristo Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO, and acting as one of the Joint Bookrunners and Joint Lead Managers of the Share Offer
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted by us on 19 June 2017, which shall become effective on the Listing Date and as amended, supplemented and otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Belloli”	Belloli SA, a public limited company incorporated under the laws of Switzerland in 1997, being one of our five largest suppliers during the Track Record Period and is owned as to 25% by Alberto Belloli, 25% by Pietro Belloli, 25% by Renato Belloli and 25% by Romana Isepponi-Belloli, each an Independent Third Party
“Board” or “Board of Directors”	the board of Directors

DEFINITIONS

“Branded Products”	products bearing brand of Belloli, Palmieri, PTC or other suppliers of our Group
“Businesses” or “Integrated Engineering Solution(s)”	integrated engineering solution(s) offered by our Group, namely, (i) supply of specialised cutting tools and parts for construction equipment; (ii) supply of fabricated construction steel works and equipment; (iii) supply of specialised construction equipment; and (iv) ancillary services which include leasing of specialised construction equipment, and repair and maintenance services, details of which are set out under the paragraph headed “Business – Overview” in this prospectus
“Business Day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“BVI (1)”	M&L Pacific Group Limited, a company incorporated under the laws of BVI on 23 December 2015 with limited liability, which is our direct wholly owned subsidiary
“BVI (2)”	M&L Far East Group Limited, a company incorporated under the laws of BVI on 23 December 2015 with limited liability, which is our direct wholly owned subsidiary
“BVI (3)”	East Focus International Group Limited, a company incorporated under the laws of BVI on 23 December 2015 with limited liability, which is our direct wholly owned subsidiary
“BVI (X)”	JAT United Company Limited, a company incorporated under the laws of BVI on 23 December 2015 with limited liability, which is wholly owned by Mr. Ng
“C&E Commissioner”	the Commissioner of Customs and Excise and any Deputy or Assistant Commissioner of Customs and Excise
“CAGR”	compound annual growth rate

DEFINITIONS

“Capitalisation Issue”	the issue of 449,990,000 Shares to be made upon the capitalisation of certain sums standing to credit of the share premium account of our Company as referred to in the paragraph headed “Further Information about our Company and our subsidiaries – Written resolutions of our Shareholders passed on 19 June 2017” 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 Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Changjiang Securities”	Changjiang Securities Brokerage (HK) Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities under the SFO, and acting as one of the Joint Bookrunners and Joint Lead Managers of the Share Offer
“China” or “the PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only (unless otherwise indicated) excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Circular No. 7”	Announcement of the State Administration of Taxation concerning Certain Issues Concerning the Enterprise Income Tax on the Indirect Transfer of Properties by Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告)

DEFINITIONS

“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Ordinance (Miscellaneous Provisions)”	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”	M&L Holdings Group Limited (明樑控股集團有限公司), a company incorporated on 24 September 2015 under the laws of the Cayman Islands as an exempted company with limited liability
“connected person(s)” or “core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and unless the context requires otherwise, refers to Mr. Ng and BVI (X)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules
“CSRC”	China Securities Regulatory Commission of the PRC (中華人民共和國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated 19 June 2017 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), details of which are set out in the paragraph headed “Statutory and General Information – Other Information – Estate duty, tax and other indemnities” in Appendix IV to this prospectus
“Director(s)”	the director(s) of our Company

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“East Focus”	East Focus Engineering Services Limited (怡豐建業有限公司), a company incorporated under the laws of Hong Kong on 31 October 1997 with limited liability, which is our indirect wholly owned subsidiary
“Exchange Participant(s)”	a person: (a) who, in accordance with the Rules of the Exchange, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange
“Exclusive Agreements”	Tunnelling Exclusive Agreement and Vertical Drilling Exclusive Agreement entered with Palmieri in June 1998, which had been superseded by the 2015 Exclusive Agreement
“Fabricated Steel Factories”	two factories located in Guangdong Province, the PRC to which we have sub-contracted the production of our M&L Custom-made Products during the Track Record Period and, where relevant, the holding companies of such factories, owned by Independent Third Parties
“GDP”	gross domestic product
“GEM”	the 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
“Genghiskhan”	Genghiskhan Land Holdings Limited, a company incorporated under the laws of BVI with limited liability, which, according to the shareholders’ register of M&L, holds 4.67% of shares of M&L. Genghiskhan was struck off of the BVI Register of Companies in about April 1998 and had been dissolved in April 2008 after remaining struck off continuously for a period of 10 years
“Government”	the government of Hong Kong
“ GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider designated by our Company

DEFINITIONS

“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires or permits, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK eIPO White Form”	the application of Public Offer Shares for issue in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, being the Hong Kong branch share registrar of our Company
“IAE Ordinance”	the Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“IAE Registration Regulations”	the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong), a subsidiary legislation of the IAE Ordinance, as amended, supplemented or otherwise modified from time to time
“Independent Third Party(ies)”	a party or parties that is or are independent of and not connected with (within the meaning of the GEM Listing Rules) any directors, chief executive, substantial shareholders of our Company, our subsidiaries or any of their respective associates

DEFINITIONS

“Industry Report” or “Ipsos Report”	an industry report prepared by Ipsos Limited which was commissioned by us in relation to, among other things, the TBM Disc Cutter industry in Hong Kong, PRC and Singapore
“Internal Control Consultant”	BDO Financial Services Limited, our internal control consultant
“Investec” or “Sponsor”	Investec Capital Asia Limited, a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the sponsor to the Share Offer
“Italy”	the Italian Republic
“Joint Bookrunners” or “Joint Lead Managers”	Aristo, Changjiang Securities and KGI
“KGI”	KGI Capital Asia Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and acting as one of the Joint Bookrunners and Joint Lead Managers of the Share Offer
“Latest Practicable Date”	20 June 2017, being the latest practicable date for ascertaining certain information in this prospectus prior to the printing of this prospectus
“Listing”	the listing of our Shares on GEM
“Listing Date”	the date on which dealings in the Shares on GEM first commence
“Listing Division”	the Listing Division of the Stock Exchange
“M&A Rules”	Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定)

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“M&L”	M&L Engineering and Materials Limited (明樑機械材料有限公司 (formerly known as Citiasia Development Limited (潤耀發展有限公司)), a company incorporated under the laws of Hong Kong on 2 June 1994 with limited liability, which is our indirect non-wholly owned subsidiary
“M&L Custom-made Products”	fabricated construction steel products manufactured based on customer specifications
“M&L China”	M&L China Engineering and Materials Limited (明樑中國機械材料有限公司) (formerly known as Celestial Technology Limited (卓榮科技有限公司)), a company incorporated under the laws of Hong Kong on 20 July 2001 with limited liability, which is our indirect non-wholly owned subsidiary
“M&L (Shenzhen)”	明樑機械設備(深圳)有限公司 (M&L Engineering Machinery (Shenzhen) Ltd.*), a company established in the PRC on 3 July 2009 with limited liability, which is our indirect non-wholly owned subsidiary
“M&L (Singapore)”	M&L Engineering & Materials Pte. Ltd., a company incorporated under the laws of Singapore on 10 March 2009 with limited liability, which is our indirect wholly owned subsidiary
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM
“MEK”	MEK Group Company Limited (明怡集團有限公司), a company incorporated under the laws of Hong Kong on 7 March 2005 with limited liability and is owned as to 55% by Palmieri and 45% by Ms. Pierallini, an Independent Third Party, respectively
“MEK Disposal”	the disposal of the aggregate of 35% equity interest and shareholders’ loans in MEK by Mr. Ng, Mr. Timothy Ng and Mr. Cheung as described in the paragraph headed “History and corporate structure – Reorganisation – E. MEK Disposal” in this prospectus

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“MEK Exclusive Distribution Agreement”	the exclusive distribution agreement entered into on 14 January 2016 between M&L (as the sole and exclusive distributor) and MEK for the MEK products in the PRC, Hong Kong, Taiwan, Indonesia, Singapore, Malaysia and such other place(s) and territories as may be agreed in writing between MEK and M&L from time to time
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, as amended from time to time
“MLENG Group”	M&L, M&L China and M&L (Shenzhen)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Cheung”	Mr. Cheung King (張勁), an executive Director
“Mr. Larry Ng”	Mr. Ng Lai Po (吳麗寶), an executive Director, our chief financial officer and joint company secretary, and the brother of Mr. Ng and Mr. Timothy Ng
“Mr. Ng”	Mr. Ng Lai Ming (吳麗明), an executive Director, our chairman of the Board and chief executive officer, a Controlling Shareholder, and the brother of Mr. Timothy Ng and Mr. Larry Ng
“Mr. Timothy Ng”	Mr. Ng Lai Tong (吳麗棠), an executive Director, and the brother of Mr. Ng and Mr. Larry Ng
“Mr. Yeung”	Mr. Yeung Shiu Kin Eddie (楊兆堅), who holds 100% of the Pre-IPO Investor, and an Independent Third Party prior to the completion of the Pre-IPO Investment
“MRT”	Mass Rapid Transit in Singapore
“Ms. Pierallini”	Ms. Patrizia Pierallini, an employee of Palmieri and a shareholder of MEK, an Independent Third Party
“MTRC”	Mass Transit Railway Corporation Limited

DEFINITIONS

“Non-competition Deed”	the non-competition deed dated 19 June 2017 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries from time to time), details of which are set out in the paragraph headed “Relationship with our Controlling Shareholders – Non-competition Deed” in this prospectus
“Offer Price”	the final Hong Kong dollar price per Offer Share (before brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed pursuant to the Share Offer, which will not be more than HK\$0.5 and is currently expected to be not less than HK\$0.4, to be determined as described under the paragraph headed “Structure of the Share Offer – Pricing and Allocation – Determining the Offer Price” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Palmieri”	Palmieri S.p.A., a joint stock company incorporated in Italy in 1986, one of our five largest suppliers during the Track Record Period and is owned as to 41% by Silvano Palmieri and 39% by Adelaide Gaggioli, 10% by Alessandra Palmieri, 10% by Stefano Palmieri, an Independent Third Party
“Palmieri (China)”	佛山市龐萬力隧道設備有限公司 (Palmieri Foshan Tunneling Equipment Ltd.*), a company established in the PRC on 25 September 2008 with limited liability, and is a wholly-owned subsidiary of MEK, an Independent Third Party
“Palmieri Group”	Palmieri and its subsidiaries, including MEK
“Palmieri Tunnelling Products”	the products manufactured and marketed by Palmieri and for tunnelling and horizontal drilling purposes
“Palmieri Vertical Drilling Products”	the products manufactured and marketed by Palmieri for vertical drilling purposes

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“Placing”	the conditional placing of the Placing Shares for and on behalf of our Company at the Offer Price (plus brokerage, SFC transaction levy and Stock Exchange trading fee), as further described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Shares”	135,000,000 new Shares initially being offered by our Company for subscription pursuant to the Placing (subject to reallocation as described in the section headed “Structure of the Share Offer” in this prospectus)
“Placing Underwriters”	the group of underwriters led by the Joint Lead Managers, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing expected to be entered into by, among others, our Company, the Controlling Shareholders, our executive Directors, the Sponsor and the Placing Underwriters on or about the Price Determination Date, as further described in the paragraph headed “Underwriting – Underwriting Arrangements and Expenses – The Placing” in this prospectus
“PRC Government”	the government of the PRC
“PRC Legal Adviser”	Shu Jin Law Firm, legal adviser of our Company as to PRC laws in connection with the Listing
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance (Miscellaneous Provisions)
“Pre-IPO Investment”	the pre-IPO investment by the Pre-IPO Investor as described in the paragraph headed “History and Corporate Structure – Pre-IPO Investment” in this prospectus
“Pre-IPO Investor”	Best Field Inc., a company incorporated under the laws of the BVI with limited liability, which is wholly owned by Mr. Yeung, being the investor under the Pre-IPO Investment

DEFINITIONS

“Pre-IPO Subscription Agreement”	the subscription agreement for the subscription of ordinary shares in our Company dated 26 January 2016 entered into among the Pre-IPO Investor, Mr. Yeung and our Company, pursuant to which the Pre-IPO Investor agreed to subscribe for 475 Shares at the cash consideration of HK\$9,500,000
“Price Determination Date”	the date, expected to be on or about 12 July 2017 and, in any event, no later than 6:00 p.m. on 14 July 2017, when the Offer Price is determined
“PTC”	PTC Piling Equipment (Far East) Pte Ltd, a limited private company incorporated in Singapore on 23 October 1989, one of our five largest suppliers during the Track Record Period and is owned by Independent Third Parties
“PUB”	Public Utilities Board, National water agency of Singapore
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage, SFC transaction levy and Stock Exchange trading fee) as described in the section headed “Structure of the Share Offer” in this prospectus
“Public Offer Shares”	the 15,000,000 new Shares initially being offered by our Company for subscription under the Public Offer (subject to reallocation as described in the section headed “Structure of the Share Offer” in this prospectus)
“Public Offer Underwriter(s)”	the underwriters of the Public Offer as listed in the paragraph headed “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 29 June 2017 relating to the Public Offer entered into by, among others, our Company, the Controlling Shareholders, our executive Directors, the Sponsor and the Public Offer Underwriters, as further described in the paragraph headed “Underwriting – Underwriting arrangements and expenses – Public Offer – Public Offer Underwriting Agreement” in this prospectus

DEFINITIONS

“Reorganisation”	the reorganisation of the corporate structure of our Group in preparation for the Listing as described in the paragraph headed “History and corporate structure – Reorganisation” in this prospectus
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAFE Circular No. 37”	Notice of the SAFE on the Administration of Foreign Exchange Involved in Overseas Investment and Financing and Return on Investment Conducted by PRC Residents via Special Purpose Companies* (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), which became effective on 4 July 2014 and replaced SAFE Circular No. 75
“SAFE Circular No. 75”	Notice of the SAFE on the Administration of Foreign Exchange Involved in Financing and Return on Investment Conducted by PRC Residents via Special-Purpose Companies* (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), which was replaced by SAFE Circular No. 37 on 4 July 2014
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 19 June 2017, the principal terms of which are summarised under the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the capital of our Company (or in such other nominal value as adopted by our Company from time to time)
“Shareholder(s)”	shareholder(s) of our Company from time to time

DEFINITIONS

“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Technically More Complex”	in connection with M&L Custom-made Products, the complexity of the technically more complex products is from the perspective of design and development of innovative and mechanically related engineering solutions which may be manufactured with a degree of involvement of certain technologically advanced machinery that is considered to be easily operated for trained personnel. The relevant training of which shall be provided by the subject vendor of these relevant machineries. Examples and characteristics of technically more complex M&L Custom-made Products are set out under paragraph headed “Future plans and use of proceeds – Implementation plans and utilisation of the net proceeds – Further develop our fabricated construction steel works and equipment business in the PRC” in this prospectus
“TP Customers”	collectively the customers located in Japan, Korea and the TP Territories pursuant to the 2015 Exclusive Agreement
“TP Territories”	the PRC, Hong Kong, Taiwan, Indonesia, Singapore and Malaysia
“Track Record Period”	the two financial years ended 31 December 2015 and 2016

DEFINITIONS

“Tunnelling Exclusive Agreement”	tunnelling and horizontal drilling equipment exclusive representation and sale agency agreement entered into between our Group and Palmieri in June 1998, which had been superseded by the 2015 Exclusive Agreement
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“VDP Territories”	the PRC, Hong Kong, Taiwan, Indonesia, Singapore and Malaysia
“Vertical Drilling Exclusive Agreement”	the vertical drilling equipment exclusive representation and sale agency agreement entered into between our Group and Palmieri in June 1998, which had been superseded by the 2015 Exclusive Agreement
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“€”, “EUR”, or “Euro”	European dollar(s), the lawful currency of the Eurozone
“HK\$”, “HKD”, “HK dollar(s)” or “HK cents”	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
“IDR”	Indonesian Rupiah, the lawful currency of Indonesia
“RM”	Malaysia Ringgit, the lawful currency of Malaysia
“¥”, “RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“S\$”, “SGD” or “SING dollar(s)”	Singapore dollar(s), the lawful currency of Singapore
“US\$” or “US dollar(s)”	United States dollar(s), the lawful currency of the United States of America

DEFINITIONS

“m³” cubic metres

“%” per cent

All times refer to Hong Kong time.

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.

Unless otherwise specified, all references to any shareholdings in our Company refer to those following the completion of the Share Offer.

In this prospectus, if there is any inconsistency between the Chinese names of the entities, authorities, organisations, institutions or enterprises established in China or the awards, certificates given in China and their English translations, the Chinese language version shall prevail. English translation of company names in Chinese or another language which are marked with “” is for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

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

“bulkhead”	a support structure for the stator and the outer surface of the TBM to protect all the internal components during the tunnelling process
“CIF”	cost, insurance and freight, a trade term pursuant to which the seller is required to arrange for the carriage of goods by sea to a port of destination with cost, insurance, freight as included in a price, and provide the buyer with the documents necessary to obtain the goods from the carrier
“cutter face”	a combination of a number of moving (disc cutters) and static (knife bits) face cutters that spin with the machine and break into the rock surface
“Disc Cutters”	TBM Disc Cutters and micro-tunnelling disc cutters which are typically applied towards the excavation of tunnels
“dump truck” or “dumper”	a truck used for transporting material for construction
“ex-works”	a trade term that describes an agreement in which the seller is required to make goods ready for pickup at his or her own place or business when all other transportation costs and risks are assumed by the buyer
“excavation chamber”	a chamber which may contain slurry, air or earth to provide face pressure to the rock face
“ISO”	acronym for a series of standards including quality management and environmental management standards published by International Organisation for Standardisation, a non-governmental organisation that has a central secretariat in Geneva, Switzerland

GLOSSARY OF TECHNICAL TERMS

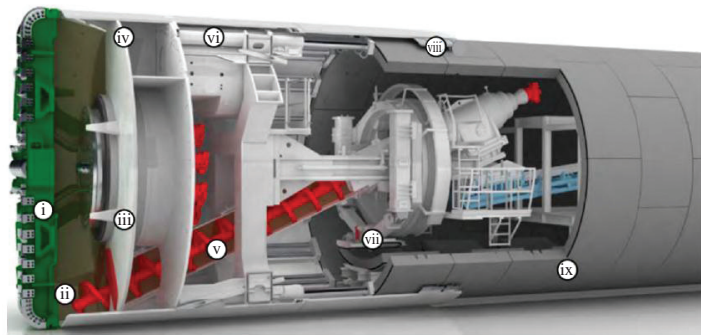
“ISO 9001”	an international standard that gives requirements for an organisation’s quality management system
“muck removal system”	generally uses an Archimedes screw to bring the muck from the head to a conveyor for removal and processing
“piling”	any work in connection with or for the sinking or forming of a pile in the ground by hammering, jacking, screwing, augering, boring, jetting, vibrating, casting or any other means and also means the driving or sinking of any casing or tube into the ground to form a well or shaft for foundation purposes, whether or not the casing or tube is later extracted
“propulsion system”	propulsion for the TBM can come from a hydraulic/pneumatic approach or thrust driven device behind the stator. The propulsion system can propel itself forward by either pushing against the tunnel wall (for hard materials) or by using the tunnel constructed behind itself to drive the TBM forward
“RCD”	reverse circulation drilling
“RCD rig”	a structure used to house reverse circulation drill, typically a type of specialised foundation construction equipment
“RDA”	rolling distance analysis
“stator”	the engine which propels the circular motion of the cutter face by providing thrust and torque
“tail skin”	a piece of steel that is used to start the transition from TBM to newly created tunnel, normally used in conjunction with a tunnel segment builder

GLOSSARY OF TECHNICAL TERMS

“TBM”

tunnel boring machine, complex piece of machinery used for tunnel boring with thousands of moving parts. The design of TBM defines the complexity of the bill of materials, however, mostly relies on similar component groupings as per the exhibit below: (i) cutter face (which holds the TBM Disc Cutters); (ii) excavation chamber; (iii) stator/rotating engine; (iv) bulkhead; (v) muck removal system and conveyor; (vi) propulsion system; (vii) tunnel segment building element; (viii) tail skin; and (ix) tunnel.

The exhibit below sets out the schematic of a TBM:

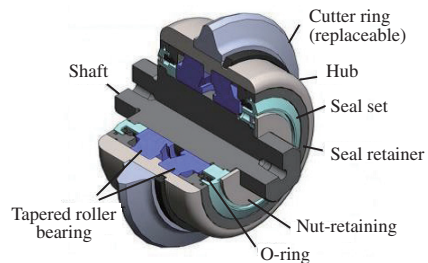


Source: Ipsos Report

“TBM Disc Cutter”

TBM disc cutter, which typically contains the following major components: (i) hub; (ii) cutter ring (replaceable); (iii) O-ring; (iv) bearings; (v) seal set; and (vi) shaft.

The exhibit below sets out the schematic of a typical disc cutter:



Source: Ipsos Report

In general, the sizes of TBM Disc Cutters include 12 inch, 13 inch, 14 inch, 15 inch, 17 inch, 18 inch and 19 inch in diameter.

“Tunnel segment builder”

some mixed TBMs have the potential to be able to build a tunnel in sections behind the TBM as it progresses

FORWARD-LOOKING STATEMENTS

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

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES.

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections “Summary”, “Risk factors”, “Industry overview”, “Business”, “Financial information” and “Future plans and use of proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section “Risk factors”, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, plans, objectives and goals;
- the performance of global financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;
- the business opportunities that we may pursue;
- our dividend policy; and
- the amount and nature of, and potential for, future development of our business.

The words “aim”, “anticipate”, “believe”, “can”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future occurrence of such events. Actual outcomes may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- our ability to achieve growth of existing businesses and expansion of operations through investments;
- our ability to integrate new businesses and create synergies;
- changes in the governmental policies, laws or regulations of the relevant jurisdictions in which we operate in;
- our ability to attract and retain customers;

FORWARD-LOOKING STATEMENTS

- our ability to attract and retain qualified employees and key personnel;
- our ability to protect our brand, trademarks or other intellectual property rights;
- global general economic, market and business conditions; and
- the other risk factors discussed in this prospectus as well as other factors beyond our control.

One or more of the above-mentioned risks or uncertainties may materialise.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events 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 we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section “Risk Factors”.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making an investment in the Offer Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the Offer Shares could fall significantly and you may lose all or part of your investment. The trading price of the Shares may decline due to any of the risks and uncertainties and you may lose all or part of your investment.

There are certain risks relating to an investment in our Shares. These risks can be broadly categorised into: (i) risks relating to our business and our industry; (ii) risks relating to doing business in Hong Kong; (iii) risks relating to doing business in the PRC and Singapore; and (iv) risks relating to the Share Offer.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

Our Businesses operate on a project-by-project basis and we may be unable to compete effectively or secure new contracts upon the completion of our contracts on hand

Our Businesses operate on a project-by-project basis and our customers, number and size of our contracts secured may vary from year to year.

We cannot ascertain whether we will be able to secure contracts from our existing customers and/or new potential customers. There is also no assurance about whether our ongoing customers will continue to develop projects that require our supplied products and/or services or continue to engage us in the future. In the event that our Group is unable to secure new contracts or gain new business from our existing or new customers, we may experience slow growth or no growth in our Businesses or have a material reduction in the value and volume of our contracts. As such, our business and financial performance may be adversely affected. Thus, the financial results of our Group for the Track Record Period should not be taken as an indication of our future performance. Prospective investors should be aware of the risk of our Group failing to secure future contracts when considering our Group's financial results.

A significant portion of our purchases of specialised cutting tools and parts for construction equipment were supplied by a few suppliers, in particular the Palmieri Group, during the Track Record Period and any decrease in supplies, quality of supplies and breakdown in the working relationship between us and our suppliers could have a material and adverse effect on our operations and financial results

During the Track Record Period, a significant portion of our purchases of specialised cutting tools and parts for construction equipment were supplied by a few suppliers. For the years ended 31 December 2015 and 31 December 2016, our five largest suppliers accounted for approximately 98.2% and 96.9% of our cost of sales, respectively, while our single largest supplier, the Palmieri Group, accounted for approximately 75.0% and 81.1% of our cost of sales, respectively, over the same period.

RISK FACTORS

As at the Latest Practicable Date, our Group had nine exclusive supplier-agent/distributorship agreements with our suppliers, three of these exclusive supplier-agent agreements were entered with the Palmieri Group, namely the 2015 Exclusive Agreement, the 2016 Exclusive Agreement and the MEK Exclusive Distribution Agreement, details of which are set out under the paragraph headed “Business – Suppliers and Fabricated Steel Factories – Suppliers” in this prospectus. Despite the entering into of these agreements, there is no assurance that our business relationship with our key suppliers will continue in the future. In the event that such agreements are terminated and we are unable to procure products with similar quality and quantity from alternative suppliers in a timely manner, we may fail to deliver our products and/or services on time. These may in turn adversely impact our business, financial condition and results of operations.

Furthermore, if there is deterioration in the quality of products purchased from our main suppliers or a significant increase in the cost of such products, and we are unable to identify suitable alternative supplier(s), the quality of our supplied products could be materially and adversely affected, thereby affecting our financial position and results from operations.

Reliance on key management personnel

Our Group’s success is, to a large extent, attributable to the continued commitment of our executive Directors and our senior management team.

Our Directors and senior management team are responsible for our business strategies and development, daily management and operations. Furthermore, they have established relationships with our Group’s customers, subcontractors, suppliers and business associates. They have extensive experience in the construction industry, in particular the tunnelling and foundation sectors, and possess vast knowledge of these markets and engineering solutions. Details of our Directors and our senior management team are set out under the section headed “Directors and senior management” of this prospectus. Any unexpected departure of the executive Directors of our Board, namely, Mr. Ng, Mr. Timothy Ng, Mr. Cheung and Mr. Larry Ng, and/or our senior management team without appropriate and timely replacement may have a material adverse impact on our business operations and profitability.

As set out in the paragraph headed “Business – Business strategies – Compete for sizeable contracts” of this prospectus, our Group’s capacity to provide Integrated Engineering Solutions depends on the availability of our management resource. Typically, regardless of the size and complexity of the contract, the provision of our Integrated Engineering Solutions requires the involvement and expertise of our Directors and the senior management team. In this regard, the number of contracts which requires our Integrated Engineering Solutions that can be executed by our Group simultaneously at any given time is restricted by the availability and capacity of our management. Therefore, such capacity constraints may limit the further growth or business operation of our Group, which in turn may limit our growth potential and have an adverse and material effect on our operations and profitability.

RISK FACTORS

During the Track Record Period, we sub-contracted the entire production of the M&L Custom-made Products to the Fabricated Steel Factories. In the event of delays in delivery and/or that quality of the M&L Custom-made Products is below the required standards, our results of operations and profitability may be materially and adversely affected

We engage the Fabricated Steel Factories for the production of our M&L Custom-made Products. For the years ended 31 December 2015 and 31 December 2016, purchases from the Fabricated Steel Factories accounted for approximately 19.3% and 12.3% of our cost of sales, respectively. Any delays in delivery of our products as a result of the failure on the part of the Fabricated Steel Factories may lead to loss of customers and revenue which would in turn materially and adversely affect our operations and profitability. Furthermore, in the event that the Fabricated Steel Factories are unable to deliver our orders or the quality of products as stipulated in the purchase orders, we may be forced to sub-contract our production of the M&L Custom-made Products to other production factories, which may be costly and may cause delays in production, and may adversely affect our delivery schedule and financial performance.

We derived a significant proportion of our revenue from a concentrated customer base

During the Track Record Period, a significant portion of our revenue was derived from a small number of customers. For the years ended 31 December 2015 and 31 December 2016, our aggregated revenue from our five largest customers accounted for approximately 75.2% and 82.8% of our Group's total revenue, respectively, and revenue derived from our largest customer accounted for approximately 37.6% and 30.7% of our Group's total revenue, respectively. Despite continuous efforts to diversify and expand our customer base, we may continue to have a concentrated customer base in the future. Any unexpected cessation of or substantial reduction in the volume of business from any of our major customers could adversely affect our business and financial performance.

As at the Latest Practicable Date, the length of business relationships with our five largest customers for the year ended 31 December 2016 ranged from approximately two to 14 years. There is no assurance that any of our major customers will continue to place orders with us in the future or that the diversification of our customer base will be successful.

Changes in customers' preference and behaviour

As a provider of Integrated Engineering Solutions, we combine engineering-orientated professional expertise with application knowledge in order to provide our customers with tailored solutions. Our business is therefore subject to, among other things, changes in consumer preference and behaviour in the construction industry. While we remain informed of market trends and continuously develop our Integrated Engineering Solutions offerings, in the event that we are unable to respond adequately to changes in consumer preference and behaviour, we will be unable to maintain our competitive advantage, which is likely to materially and adversely impact our operations and financial performance.

RISK FACTORS

Potential competition with the entry of other integrated engineering solutions (or similar services) providers may reduce our market share and adversely affect our business

According to the Ipsos Report, as at 31 December 2016, there were no existing TBM Disc Cutter suppliers/agents (which is not also a TBM manufacturer) offering similar services to our Integrated Engineering Solutions in Hong Kong and Singapore. However, there is no assurance that other market participants will not offer engineering solutions (or such services which are similar to our Integrated Engineering Solutions) in these geographies in the future.

With additional participants, we may have to compete for contracts by reducing our prices. Failure to maintain or enhance our competitiveness within the tunnelling and foundation sectors could result in a reduction in demand for our supplied products and/or services, which is likely to adversely impact our financial performance.

Demand for our Businesses may be adversely impacted by slowdowns in the tunnelling and foundation sectors in Hong Kong, the PRC or Singapore

For the years ended 31 December 2015 and 31 December 2016, we derived our revenue primarily from Hong Kong, the PRC and Singapore. The demand for our supplied products and services is related to the level of construction activities in the tunnelling and foundation sectors of these geographies. For the years ended 31 December 2015 and 31 December 2016, we derived (i) approximately 45.8% and 33.3%, respectively, of our revenue from Hong Kong, 33.3% and 44.4%, respectively, of our revenue from the PRC, 20.3% and 22.3%, respectively, of our revenue from Singapore; and (ii) approximately 96.0% and 94.4%, respectively, of our revenue from the tunnelling segment, with the remaining revenue of approximately 4.0% and 5.6%, respectively, derived from the foundation segment. We believe that the tunnelling and foundation sectors are cyclical in nature and any downturn in these sectors and/or reduction in the overall value and number of contracts due to, amongst other reasons, economic downturn and/or government policies, may reduce the demand for our supplied products and services. As such, our business, financial position and results from operations may be adversely impacted.

We are exposed to our customers' credit risks

The credit terms in relation to the settlement of amounts due from our customers vary from contract to contract. In general, we grant credit periods to our customers with a range up to 180 days from delivery/invoice date. The billings for each project are made in accordance with the stipulated terms and conditions of the respective contracts and/or purchase orders (where appropriate).

As at 31 December 2015 and 31 December 2016, our trade receivables, net were approximately HK\$96.2 million and HK\$70.4 million, respectively. We determine specific allowance for doubtful debts on a case-by-case basis having regard to a number of factors including, length of business relationship, the ageing of the receivable balances, results of the follow-up procedures, customers' reputation, and their financial strength and repayment history. We have made provision for impairment of trade receivables of approximately

RISK FACTORS

HK\$6.3 million and HK\$9.3 million, respectively, but not written off any receivables as uncollectible as at 31 December 2015 and 31 December 2016. However, there is no assurance that the financial position of our customers will remain healthy in the future and they will settle our invoice in a timely manner. Please refer to paragraph headed “Business – Customers” in this prospectus for details of our top five customers during the Track Record Period.

Our customers may, from time to time, be engaged in prolonged negotiations in respect of their payment applications, which is not uncommon in the construction industry and may have an adverse impact on the timely settlement of our payment.

If our customers are unable to settle their payments due to us timely, the financial condition and results of business performance of our Group could be materially and adversely affected.

Our cash flows may be affected by payment terms

For the years ended 31 December 2015 and 31 December 2016, (i) our trade receivables turnover days was approximately 113.2 days and 103.8 days, respectively; and (ii) our trade payable turnover days was approximately 115.9 days and 94.6 days, respectively.

Our cash flow position may be adversely affected in the event that our contracts, at a particular period of time, require substantial initial payments to our suppliers whereas we do not receive sufficient cash inflow from other contracts during such period.

There is no assurance that payment would be paid to us by our customers on time and in full, or that the level of bad debt arising from such payment practice can be maintained at the same level as experienced during the Track Record Period. Any failure by our customers to make payment on time and/or in full may have an adverse effect on our future cash flow and liquidity position.

We may be subject to difficulties arising from the specific nature of each of our contracts and any inability to effectively manage such contracts may adversely affect our business, operations and profitability

As a result of the nature of our Businesses, the quantity, size and requirements of our supplied products and services may vary significantly from contract to contract and are subject to changes under short notice. Such variations in the demand for our supplied products and services may affect our inventory levels and business performance at a particular time. If we fail to manage our inventory levels and/or logistics effectively, our cash flow and profitability would be adversely affected.

In addition, there is no assurance that the scope, complexity and duration of contract would not be subject to changes subsequent to the commencement of our contract. During the Track Record Period, the duration of our sizeable contracts completed ranged from one to 43 months.

RISK FACTORS

These risks would increase where projects have a longer duration as there is an increased probability that the circumstances on which the time estimates are based upon may vary, which may, in turn, reduce our revenue or increase our costs for a given period. Such may have a material and adverse effect on our operations and profitability.

Any significant increases in the costs of our supplied products and/or deterioration in the quality of products supplied to us may have an adverse impact on our financial results

The provision of our Integrated Engineering Solutions includes (i) the supply of specialised cutting tools and parts for construction equipment; and (ii) supply of fabricated construction steel works and equipment. For the years ended 31 December 2015 and 31 December 2016, revenue from (i) the supply of specialised cutting tools and parts for construction equipment amounted to approximately HK\$240.0 million and HK\$204.4 million, respectively, representing approximately 77.4% and 82.6% of our revenue, respectively; and (ii) the supply of fabricated construction steel works and equipment amounted to approximately HK\$56.8 million and HK\$29.4 million, respectively, representing approximately 18.3% and 11.9% of our total cost of sales, respectively.

On this basis, our ability to deliver quality Integrated Engineering Solutions and the volume and cost of our supplied products depend on our ability to source quality products at acceptable cost. If we are unable to obtain our supplied products in the quantities and of a quality and cost acceptable to our customers, our customers may not award us with a contract or our profit margins may be adversely affected. In addition, our supplied products are subject to price volatility caused by external conditions, such as market supply and demand, commodity price fluctuations, currency fluctuations, changes in governmental policies and natural disasters.

There is no guarantee that the quality of the products supplied to us will continue to meet our required standards for reasons which may be beyond our control and we may be forced to replace any sub-standard products from other suppliers, if available, at additional costs or be subject to delay. Furthermore, we cannot guarantee the cost of the products supplied to us will be stable. If we are unable to factor in these potential fluctuations into each of our tenders or quotations and pass on part or the whole of such increases to our customers or reduce other costs, our financial results and position may be materially and adversely affected.

Unfavourable changes in currency exchange rates

Our reporting currency is Hong Kong dollar and a portion of our revenue and cost of sales is in Euro. For the years ended 31 December 2015 and 31 December 2016, our Group recorded (i) approximately HK\$160.4 million and HK\$163.6 million of our revenue in Euro, representing approximately 51.7% and 66.1% of our revenue, respectively; and (ii) approximately HK\$168.6 million and HK\$138.5 million of our cost of sales in Euro, representing approximately 71.5% and 79.6% of our cost of sales, respectively. Furthermore, our largest supplier is based in Italy and our purchases from them are settled in Euro. As such, our Group has, where possible, entered into contracts and purchase orders with our customers in Euro.

RISK FACTORS

The Euro is not linked to the Hong Kong dollar and its exchange rate against the Hong Kong dollar may fluctuate. The exchange rates of the Hong Kong dollar and Euro, and the Hong Kong dollar and the US dollar, may be subject to potential changes due to, among other things, interest rates, the policies of the Hong Kong and the European governments and international economic and political developments. Fluctuations in Euro may result in exchange losses or gains, impacting our revenue, costs, receivables and payables after translation into Hong Kong dollar.

For the period from 1 January 2016 to 31 December 2016, the Euro depreciated against the US dollar from approximately EUR0.92 to US\$1.00 to approximately EUR0.95 to US\$1.00.

We cannot provide assurance that the Hong Kong dollar will continue to be pegged to the US dollar. Any delinkage may result in severe fluctuations in the exchange rates for these currencies. We also cannot assure you that the current rate of exchange fixed by the applicable monetary authorities for these currencies will remain at the same level.

For the years ended 31 December 2015 and 31 December 2016, our Group recorded (i) approximately HK\$57.9 million and HK\$29.1 million of revenue, respectively, in Renminbi from the PRC; and (ii) approximately HK\$16.9 million and HK\$6.7 million of cost of sales, respectively, in Renminbi from the PRC. On this basis, the currency/exchange rate risk also applies to the Renminbi.

There remains significant pressure from foreign countries on the PRC Government to adopt a more flexible currency policy, which could result in fluctuation of the Renminbi against the US dollar and other foreign currencies. Depreciation of Renminbi may affect our competitiveness against the PRC local competitors for products we purchase in foreign currency.

We also generated revenue and incurred costs in Singapore dollar during the Track Record Period, as such our key exchange rate risks are related to unfavourable movements in any of the Euro, Renminbi and Singapore dollar against the Hong Kong dollar or one another. As we did not engage in any hedging activity, any substantial unfavourable exchange movement in such currencies against Hong Kong dollar will increase our costs and affect our profitability.

Our Group has records of certain non-compliance of trade declarations

There has been a number of instances whereby our Group did not fully comply with the requirement of filing accurate and complete import and export declarations within 14 days after the importation or exportation of an article according to regulations 4 and 5 of the IAE Registration Regulations. As at the Latest Practicable Date, the total amount of fines and penalties paid by us amounted to approximately HK\$119,000 in respect of the inaccurate or late declarations during the Track Record Period and up to the Latest Practicable Date. For details, please refer to the paragraph headed “Business – Regulatory compliance” in this prospectus.

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As at the Latest Practicable Date, there were no material charges pending or outstanding fine in relation to the above non-compliance incidents. However, there is no assurance that the relevant authorities would not take any further enforcement action against us and/or our Directors in relation to such non-compliance incidents. In the event that such enforcement action is taken, our reputation, cash flow and results of operation may be adversely affected.

Our historical revenue and profit margin may not be indicative of our future revenue and profit margin and the results of our operations may fluctuate significantly

For the year ended 31 December 2015, we generated revenue of approximately HK\$310.1 million, with our gross profit margin of approximately 24.0%. For the year ended 31 December 2016, we generated revenue of approximately HK\$247.3 million with gross profit margin of approximately 29.6%. For discussions as to our results of operations and financial performance, please refer to the paragraph headed “Financial information – Period to period comparison of results of operations” in this prospectus.

There is inherent risk in using our historical financial information to project or estimate our financial performance in the future, as it only reflects our past performance under particular conditions. We may not be able to sustain our historical revenue and gross profit margin for various reasons, including but not limited to, deterioration in the market conditions of our Businesses in Hong Kong, the PRC and/or Singapore, intensification of competition, shortage in products supplied by us, shortage of key or specialised personnel and other unforeseen factors, which may reduce the number of contracts awarded to us, and/or reduce the profit margin of our contracts.

For various reasons, we may not be able to expand our business at a rate comparable to our historical performance. Growth could be hampered by an economic downturn, change in regulation and government policies, shortage of key or specialised personnel or other risks described in this section.

Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

The tax authorities of Hong Kong, the PRC and/or Singapore may have a different interpretation of the tax provisions

The provision for Hong Kong profits tax, the PRC profits tax and Singapore profits tax were calculated at 16.5%, 25% and 17% of the relevant estimated assessable profits throughout the Track Record Period, respectively. For the years ended 31 December 2015 and 31 December 2016, our Group recorded income tax expenses of approximately HK\$7.5 million and HK\$5.0 million, respectively, which represent an effective tax rate of approximately 21.5% and 18.4%, respectively. For further information on our Group’s income tax expenses during the Track Record Period, please refer to the paragraph headed “Financial information – Income Tax Expenses” in this prospectus.

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If the tax authorities of Hong Kong, the PRC and/or Singapore do not agree with the assessable profits of our Group and our Group proceeds and fails with our objection(s) and/or appeal(s) with the relevant tax authorities in Hong Kong, the PRC and/or Singapore, our Group may be liable for additional tax expenses, which may have a material adverse impact on our profitability and cash flow.

We determine the price of our supplied products based on the estimated cost and quantity with respect to each contract/quotation, yet the actual cost and quantity may deviate from our estimate due to unexpected circumstances, thereby adversely affecting our operations and financial results

We determine the price of our supplied products based on our cost estimate plus a certain profit margin and estimated order quantity derived from available information at the time. The actual cost and quantity in respect of a sales transaction may differ from our estimates attributable to various factors, including but not limited to the following, which may adversely affect our operations and financial results:

- geology reports provided to us which do not fully reveal all relevant details of the geology and may result in an over estimation of rate of consumption of specialised cutting tools/parts and overall consumption volume;
- unanticipated technical problems which may require us to incur additional and unexpected costs which we may not fully recover from our customers;
- our subcontractor's failure to perform duties adequately which may require us to replace such subcontractors at additional costs;
- failure to accurately estimate repair and/or maintenance costs;
- shortening of planned delivery time to meet our customers' schedule which may in turn incur higher transportation costs;
- exacerbation of any or most of the aforementioned factors as projects grow in size and complexity; and
- unfavourable fluctuation in exchange rate against the Hong Kong dollar.

Ongoing evolution of our business model driven by market demand may result in changing mix of our supplied products and services, as well as fluctuations in profit margins and working capital requirements

Our Businesses can be broadly categorised into two segments, namely tunnelling and foundation. Due to the variation in cost structures across our Businesses, these segments reported different results and profit margins during the Track Record Period. Our overall gross profit margins fluctuated between approximately 24.0% and 29.6%, respectively, for the years

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ended 31 December 2015 and 31 December 2016. The fluctuations were principally attributable to the change in our sales mix which is evidenced by the revenue derived from each business segment, discounts granted by our suppliers as well as nature of contracts on hand over such period. For the years ended 31 December 2015 and 31 December 2016, our tunnelling and foundation business segments generated approximately 96.0% and 4.0%, and 94.4% and 5.6% of our total revenue, respectively. We expect that changes to our sales mix and gross profit margins from different business segments to continue in the future, which may result in further fluctuations in our overall profit margins and working capital requirements.

We have limited management experience in operating our own fabricated construction steel factory in the PRC and our ability to successfully operate our new fabricated construction steel factory, through further developing our supply of M&L Custom-made Products business by focusing on Technically More Complex products and our jointly developed RCD rig with the M&L-Palmieri brand, is subject to risks and uncertainties, and the failure of which could adversely affect our business, results of operations and financial condition

We intend to utilise approximately HK\$16.0 million (or approximately 41.0%) of the net proceeds from the Share Offer to further develop our fabricated construction steel works and equipment business in the PRC, including the set up of a new self-operated fabricated construction steel factory with the capability to carry out key steel fabrication functions in the Guangdong Province, the PRC, the acquisition of the required machinery and equipment and the recruitment of additional workers. It is intended that our new factory will focus on the manufacture of Technically More Complex M&L Custom-made Products, while we will continue to engage the Fabricated Steel Factories to manufacture comparatively less technically complex M&L Custom-made Products. In addition, we also intend to utilise our knowledge in fabricated construction steel works and the capabilities of our new factory to manufacture the required steel structure and assemble our jointly developed RCD rig with the M&L-Palmieri brand for foundation projects, which shall be available for leasing and/or trading once completed. The new factory shall have good accessibility to the transportation network to facilitate efficient delivery of finished products to our customers. For further details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

In this connection, our ability to successfully operate our new factory and increase our revenue and profitability by further developing our business associated with the aforesaid products is subject to certain risks and uncertainties, including:

- we have limited management experience in operating our own fabricated construction steel factory in the PRC. Even though we intend to hire a plant manager with more than 10 years of relevant experience to assist in the operation of our own fabricated construction steel factory, there is no assurance that Mr. Cheung, being an executive Director and director of our fabricated construction steel works division, is able to effectively make use of his over 20 years of related experience in the construction and engineering industries in Hong Kong and his experience accumulated throughout the years of experience in working with the Fabricated Steel Factories to operate our own fabricated construction steel factory;

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- delays and cost overruns associated with the fit-out of the facility and/or installation of the relevant machinery and equipment due to a variety of factors, many of which may be beyond our control, such as quality of relevant contractors, problems with suppliers of manufacturing equipment and parts, and equipment malfunctions and breakdowns;
- the inability on our part to effectively operate our new factory to meet stipulated deadline, cost and production requirements of customers;
- the ability to secure adequate supplies of components and parts in a timely manner to manufacture Technically More Complex M&L Custom-made Products and assemble our jointly developed RCD rig with the M&L-Palmieri brand;
- the competence and skill sets of the new staff to be recruited and work at the new factory;
- there is no assurance that our customers will continue to place orders with us for the manufacturing of M&L Custom-made Products in the future; and
- there is no assurance that our jointly developed RCD rig with the M&L-Palmieri brand for foundation projects will achieve widespread market acceptance.

In the event that we encounter one or more of the abovementioned circumstances, the recovery of the investments associated with the set up of the new factory may take longer than expected, which could adversely affect our business, results of operations and financial condition.

Problem with product quality and defects could result in a loss of customers and sales and give rise to warranty and product liability claims, which could adversely affect the business and performance of our Group

While we are committed to ensure the quality of our supplied products meets the stringent requirements of our customers, our supplied products may contain undetected defects or otherwise fail to perform as expected. Such defects could cause our Group to incur costs for repair, replacement or re-design, divert the attention of our technical personnel and may significantly affect our relationship with our customer. If our Group supplies products with defects or if there is a perception that our supplied products are defective, our credibility and market reputation could be adversely affected.

It is an inherent business risk that our Group may be exposed to warranty claims and product liability claims in the event that our supplied products fail to perform as expected, which could in turn increase our costs associated with customer support, incur additional professional fees to defend against legal claims, increase product returns and bring impairment to our reputation. The occurrence of any of the aforementioned could adversely affect the business, financial results and conditions of our Group.

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In connection with the consumable Branded Products supplied by us, we do not offer product warranty, but we would typically liaise with the relevant supplier on behalf of our customers for product returns or rectifications of defective products. For non-consumable Branded Products, we typically provide a warranty period (excluding labour warranty) of 12 months. At the same time, such product typically would also be under warranty for the same duration from our supplier, typically 12 months. In connection with M&L Custom-made Products supplied by us, we do not typically offer (i) product warranty, but we would offer incidental repair and maintenance services to our customers; or (ii) product exchange for any defective products sold to our customers. Although our Group has implemented quality control procedures in respect of Branded Products and M&L Custom-made Products, there is no assurance that we will not experience material losses arising from warranty claims in the future or that we will not incur significant costs to defend such claims.

We are exposed to risks of obsolete and slow-moving inventories which may adversely impact our cash flow and liquidity

As at 31 December 2015 and 31 December 2016, our inventories amounted to approximately HK\$38.9 million and HK\$29.6 million, respectively which accounted for approximately 17.3% and 16.7% of our total assets, respectively. The demand of our Integrated Engineering Solutions is subject to, among other things, changes in consumer preference and behaviour, which are beyond our control. Save for approximately HK\$0.8 million of long dated inventories primarily related to our supply of fabricated construction steel works and equipment business, our Group did not make any other specific provision/write-off of inventories during the Track Record Period. Any increase in inventories may adversely affect our working capital. If we cannot manage our inventory level efficiently in the future, our liquidity and cash flow may be adversely affected. Furthermore, if we fail to source appropriate products to suit consumer preferences in the future, the volume of obsolete and slow-moving inventories may increase and we may need to either sell off such inventories at a lower price or write off such inventories, and in such event, our financial position and results of operations may be materially and adversely affected.

In the event that we require additional capital which is not available on favourable terms or at all, our growth and business prospects may be affected

We may require additional funding due to changes in business conditions, requirements in working capital attributable to business expansion, increase in inventory level, potential investments or acquisitions that we may pursue. To meet our capital needs, we may sell additional equity or debt securities, obtain additional credit facilities or seek necessary bank financing. The incurrence of further indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favourable to us, or at all, could limit our ability to expand our business operations and could harm our overall business prospects.

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

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

We may be involved in construction and/or labour disputes, legal and other proceedings arising from our operations from time to time and may face significant legal liabilities as a result

We may be involved in disputes with our customers, suppliers, sub-contractors and other project parties from time to time in respect of our business operations, which may lead to legal and arbitration proceedings. Disputes may arise due to delivery delay by our suppliers preventing our Group from completing our obligations under a contract in accordance with its terms. Our management will inform the customer and seek an extension to the completion of the contract in accordance with its terms, which may or may not be granted depending on the cause of the delay. Where such extension is not granted by the relevant customer, our Group may face claims for liquidated damages or losses and damages which may lead to legal and other proceedings. Disputes in relation to the works performed by our Group may also arise.

In addition, during the course of our day-to-day operations, industrial accidents may result in employee injuries or even deaths. In such event, we may be liable for personal injury or death, monetary losses or fines or subject to other legal liabilities as well as business interruptions caused by investigations.

We may have to incur costs to defend our Group in legal and other proceedings. If we are not successful in defending our Group in any proceedings, we may be liable to pay for the damages. Such payments may be significant which may adversely affect our business operations and financial position.

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

Weather conditions, natural disasters and other acts of God which are beyond our control may cause delays in project schedule and prolong the duration of our contract. Our operations and financial condition may be adversely affected.

Political unrest may cause damage or disruption to our business 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 natural disasters could cause disruptions in our Group's operations or cause delays in its delivery schedules.

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Furthermore, Hong Kong has in recent years encountered different types of epidemics, which have caused various degrees of damage to the economy of Hong Kong and, in turn, the tunnelling and foundation industries. If an epidemic outbreak occurs in Hong Kong, the PRC and/or Singapore, the economy of Hong Kong, the PRC and/or Singapore may suffer which will in turn adversely affect our results of operations.

Our insurance may not fully cover all the potential losses arising from our Businesses, including product liabilities

Our insurance plans may not fully cover all the potential losses incurred from damages or liabilities in relation to our Businesses, including product liabilities. There are certain exposures which are generally excluded for commercial reasons. Such exposures may include potential losses due to war, terrorism, pollution, fraud, professional negligence and acts of God. Our insurers may become impaired and find themselves financially unable to meet claims. For further details, please refer to the paragraph headed “Business – Insurance” in this prospectus.

In the event that we suffer from any losses, damages or liabilities in the course of our business operations which our insurance does not cover, we may not have sufficient funds to cover such losses, damages or liabilities. The resulting payment to cover such losses, damages or liabilities may have a material adverse effect on our business, results of operations and financial position.

RISKS RELATING TO DOING BUSINESS IN HONG KONG

Our operations are principally dependent on the general economic and political conditions in Hong Kong, and policies adopted by the Government, especially policies imposed by the Transport and Housing Bureau of Hong Kong to infrastructure development

For the years ended 31 December 2015 and 31 December 2016, our Group derived approximately 45.8% and 33.3% of our revenue, respectively, from Hong Kong. Our business and prospects principally depend on the general economic conditions of Hong Kong, especially the construction activities in areas of public transportation and infrastructure development. Any downturn in construction activities in the areas in which we operate may reduce the demand from our customers and adversely affect the profitability and financial performance of our business operations.

Our business activities are also influenced by Government policies. Our operations and financial results may be adversely affected by changes in political and economic conditions or the relevant policies adopted by the Government. Such changes may include fiscal policies, taxation policies, legal regulations and other relevant changes. There is no assurance that Government policies and market environment in Hong Kong would not change and changes may adversely affect our business operations.

Should there be a decrease in the level of public spending due to any adverse changes in Government policies such as the deferment of implementation of any infrastructure projects or should our Group be unable to obtain sizeable projects in view of the then prevailing economic

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conditions in Hong Kong, our Group's business and results would be adversely affected. Furthermore, any economic downturn or reduction in infrastructure development activities could bring an adverse effect on our operations in the future.

Political consideration of Hong Kong

As Hong Kong is a special administrative region of the PRC, the PRC may, by its political and economic policies, exert influence on the foregoing aspects of Hong Kong. The PRC economy features a high degree of government involvement. In recent years, the PRC Government has implemented various measures to guide the allocation of resources so as to narrow the gaps between economic developments in different regions in the country. We cannot foresee or give any assurance that the PRC Government will not in the near future adopt policies that will adversely affect the political, legal and economic conditions of Hong Kong which may in turn materially affect our business.

The annual budget of the Government, including its estimates of expenditure, is subject to the passing of the Appropriation Bill by the Legislative Council of Hong Kong. Upon the enactment of the Appropriation Ordinance, the estimates of expenditure are deemed to be approved. However, the passing of such bill may from time to time experience undue delay caused by prolonged discussion within the Legislative Council of Hong Kong which could in turn delay the implementation of Government funded projects and thereby may adversely affect our business.

Currency peg system in Hong Kong

Since 1983, Hong Kong dollar has been pegged to the US dollar at the rate of approximately HK\$7.75 to US\$1.00. There is no assurance that this policy will not be changed in the near future. If the pegging system collapses and the Hong Kong dollar suffer devaluation, the Hong Kong dollar cost of our Group's foreign currency expenditures may increase. This would in turn adversely affect the operations and profitability of our Group's business.

RISKS RELATING TO DOING BUSINESS IN THE PRC AND SINGAPORE

A cyclical fluctuation in the construction industry of our principal markets outside Hong Kong, in particular the PRC and Singapore, will affect our financial performance

For the years ended 31 December 2015 and 31 December 2016, we derived (i) approximately 33.3% and 44.4%, respectively, of our total revenue from the PRC; and (ii) approximately 20.3% and 22.3%, respectively, of our total revenue from Singapore. Therefore, a downturn in the construction industry of the PRC and Singapore, in particular the tunnelling and foundation sectors, is likely to have an adverse impact on our business and profitability due to the possibility of postponement, delay or cancellation of construction projects and delay in recovery of receivables. Furthermore, any change in the government's strategy of the PRC and Singapore towards construction or any change in market sentiment could have a material and adverse effect on our operations and profitability.

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Economic, political and social considerations in the PRC and Singapore

A significant proportion of our revenue derived from the supply of Branded Products and M&L Custom-made Products is conducted in the PRC. Given the heavy investment of infrastructure in the public sector by the PRC Government, we expect our Businesses in the PRC to remain, if not become more, significant. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political and social conditions, and government policies in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the level of government involvement, the level of economic development, the PRC's GDP growth rate and foreign exchange controls.

The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. Nevertheless, a substantial portion of assets in the PRC are still owned by the PRC Government. Many of the reforms are unprecedented or experimental, however, and are expected to be modified from time to time. In addition, the PRC Government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC Government also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Moreover, we cannot assure that the policy of economic reform and the direction of reform towards market-oriented economy in the PRC will continue in the future. A variety of policies and other measures that could be taken by the PRC Government to regulate the economy could have a negative impact on our business, including the introduction of measures to control inflation or reduce growth, changes in the interest rate or method of taxation.

Conducting business in Singapore also involves certain risks not typically associated with investments in companies with operations in Hong Kong. Such risks include those relating to changes in the local economic and political conditions, changes in the policies of the local government, changes in the respective laws or regulations, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, measures that may be introduced to control inflation such as interest rate increases, and changes in the rates or method of taxation.

Our business, financial condition and results of operations may be adversely affected by the PRC and Singapore government's economic, political and social policies and regulations.

The PRC legal system is less certain than other countries and laws may not be interpreted or enforced in a consistent manner

The PRC legal system is based on written statutes, and prior court decisions can only be used as a reference. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to develop a comprehensive system of

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commercial law. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of the PRC laws and regulations involves a degree of uncertainty. Depending on the government agency or how an application or case is presented to such an agency, we may receive less favourable interpretations of laws and regulations than our competitors.

Furthermore, it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. In addition, the introduction of new PRC laws and regulations and the interpretation of existing ones may be subject to policy changes reflecting domestic political or social changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have a material adverse effect on our business, financial condition, results of operations and prospects.

Restriction on foreign exchange

The PRC Government regulates the conversion between Renminbi and foreign currencies and has imposed controls over routine foreign exchange transactions under current account, including trade and service-related foreign exchange transactions and payment of dividends. Any tightening of such restriction may adversely affect the performance of our operations as well as restrict the ability of M&L (Shenzhen) to pay dividends or other payments to us, or otherwise satisfy our foreign currency-denominated obligations.

The PRC regulations of investment and loans by offshore holding companies to the PRC entities may delay or prevent our Company from using the proceeds of the Share Offer to make additional capital contributions or loans to members of our Group

Any capital contributions or loans we, as an offshore entity, make to M&L (Shenzhen) and/or any future PRC members of our Group, including from the proceeds of the Share Offer, are subject to the PRC regulations. For example, the total of any offshore loans to the PRC members of our Group cannot exceed the difference between the registered capital and total investment of the relevant PRC member of our Group, which shall comply with certain regulatory limits prescribed by the competent authority of the PRC Ministry of Commerce and such loans must be registered with SAFE or its authorised organisation. In addition, our capital contributions to the PRC members of our Group must be approved by the competent authorities of the PRC Ministry of Commerce and SAFE. We cannot assure that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to capitalise the relevant PRC members of our Group or fund our operation or to utilise the proceeds of the Share Offer in the manner described in the section headed “Future Plans and Use of Proceeds” of this prospectus may be adversely affected, which could adversely affect the liquidity of the relevant PRC members of our Group, our ability to grow through our subsidiaries’ operation and our financial condition and results of operation.

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Relevant PRC tax law may affect tax exemptions on dividends received by our Company and increase our enterprise income tax rate

Our Company is incorporated under the laws of the Cayman Islands and holds interests in M&L (Shenzhen) through a Hong Kong company. Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) (“**PRC Enterprise Income Tax Law**”) and its implementation rules, which were enacted on 16 March 2007 and 28 November 2007, respectively, and both of which became effective on 1 January 2008, if our Company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC or with an office or premises which has no actual relationship with the income of our Company, a withholding tax at the rate of 10% will be applied to any dividends paid by PRC resident enterprise to our Company, unless our Company is entitled to reduction or elimination of such tax, including by tax treaties. According to the tax treaties entered into between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in the PRC to its shareholder(s) in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds 25% or more interest in the PRC enterprise and other conditions required by the PRC laws and regulations are satisfied, otherwise, the dividend withholding tax rate is 10%.

According to the Notice of the State Administration of Taxation on issues relating to the administration of the dividend provision in tax treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知) (“**Notice 81**”) promulgated on 20 February 2009, the corporate recipients of dividends distributed by PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

RISKS RELATING TO THE SHARE OFFER

An active trading market for our Shares may not develop

Prior to the Listing, there was no public market for our Shares. The Offer Price is the result of negotiations between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) (after consultation with the Sponsor), and may differ from the market prices of the Shares after the Listing. However, there is no assurance that the Listing will result in the development of an active and liquid public trading market for the Shares.

The trading volume and share price of our Shares may be volatile

The price and trading volume of our Shares may be volatile. Factors such as variations in our earnings, turnover and cash flows, announcements of new investments, strategic alliances or acquisitions and fluctuations in market prices for comparable companies could cause the market price of our Shares to change substantially. In addition, the market price of the Shares may also fluctuate significantly and rapidly as a result of factors which are beyond our control.

Furthermore, stock markets and the shares of some listed companies in Hong Kong have experienced increasing price and volume fluctuations in recent years, some of which may have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of the Shares.

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Investors of our Shares may experience dilution if we issue additional Shares in the future

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

Future sales of a substantial number of our Shares by our existing Shareholders in the public market may materially and adversely affect the prevailing market price of our Shares

The Shares held by certain of our existing Shareholders are subject to lock-up commencing on the Listing Date. While we are not aware of any intentions of our existing Shareholders to dispose of a significant amount of their Shares upon expiry of the relevant lock-up periods, there is no assurance that they would not dispose of the Shares held by them. We cannot predict the subsequent effect on the market price of our Shares in the event of such disposal. Sale of substantial amounts of the Shares by any of our existing Shareholders, or the market perception that such sales may occur, could have a material and adverse effect on the prevailing market price of our Shares.

Our historical dividend payments should not be taken as an indication of our future dividend policy

We declared dividends of approximately HK\$45.0 million and HK\$11.8 million for the years ended 31 December 2015 and 31 December 2016, respectively. The payment of these dividends was financed by internal resources. No assurance can be given that dividends of similar amounts or at similar rates will be paid in the future or that dividends will be paid at all. Any future dividend declaration and distribution by us will be at the discretion of our Board and will depend upon our financial results, Shareholders' interest, general business conditions, strategies and future expansion needs, our capital requirements, the payment by our subsidiaries of cash dividends to our Company, possible effects on liquidity and financial position of our Company and such other factors as our Board may consider relevant. As a result, there is no reference to the basis for forecasting the amount of dividend payable in future in this prospectus. The past distribution record should not be used as a reference of the amount of dividends payable in the future.

No undue reliance should be placed by prospective investors on industry and market overviews and statistics derived from official government publications contained in this prospectus

Certain statistics, facts, data and forecasts presented in the section headed "Industry Overview" of this prospectus and elsewhere in this prospectus including those relating to Hong Kong, the PRC and Singapore, the Hong Kong economy, the PRC economy, the Singapore economy and the respective construction (tunnelling and foundation) industries have been

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derived, in part, from various publications and industry-related sources prepared by governmental officials or Independent Third Parties. Such statistics, facts, data and forecasts have not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisers or any other party involved in the Share Offer and no representation is given as to their accuracy and completeness. Therefore our Group makes no representation as to the accuracy of such statistics, facts, data, forecasts and other information, which may not be consistent with other information compiled within or outside Hong Kong, the PRC or Singapore. Due to the possible flawed or ineffective collection methods or discrepancies in the published information, market practice and other problems, the statistics from official government publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies. In addition, there is no assurance and guarantee that they were stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, prospective investors should consider how much weight or importance they would put into, or place on, such statistics, facts, data, forecasts and other information.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING AND INFORMATION ON THE SHARE OFFER

This prospectus is published solely in connection with the Share Offer. For applications under the Public Offer, this prospectus and the Application Forms contain the terms and conditions of the Public Offer. The Share Offer comprises the Public Offer of 15,000,000 Shares initially offered and the Placing of 135,000,000 Shares initially offered (subject, in each case, to reallocation on the basis under the section headed "Structure of the Share Offer" in this prospectus).

The listing of our Shares on the Stock Exchange is sponsored by the Sponsor. Pursuant to the Public Offer Underwriting Agreement, the Public Offer is underwritten by the Public Offer Underwriters on a conditional basis, with one of the conditions being that the Offer Price is agreed between the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and us. The Placing is managed by the Joint Lead Managers. The Placing Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to agreement on the Offer Price between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us. Further details of the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

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

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

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus, and the procedures for applying for our Shares are set out in the section headed "How to Apply for Public Offer Shares" of this prospectus and on the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DETERMINATION OF THE OFFER PRICE

The Shares are being offered at the Offer Price which will be determined by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us on or around 12 July 2017 or such later date as may be agreed upon between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us (after consultation with the Sponsor), and in any event no later than 6:00 p.m. on 14 July 2017. If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by 6:00 p.m. on such date, the Share Offer will not proceed.

RESTRICTIONS ON OFFER AND SALE OF THE SHARES

No action has been taken to permit a public offering of the Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation for subscription in any jurisdiction or in any circumstances in which such an offer or invitation for subscription is not authorised or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sales of the 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. Each person acquiring the Shares under the Public Offer will be required to confirm, or be deemed by his acquisition of the Shares to confirm, that he is aware of the restrictions on offers and sales of the Shares in this prospectus. In particular, the Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING OF OUR SHARES ON GEM

Application has been made to the Listing Division for granting the listing of, and permission to deal in our Shares on GEM in issue and to be issued pursuant to the Share Offer.

Save for the application for the listing of, and permission to deal in our Shares on GEM in issue and to be issued pursuant to the Share Offer as disclosed herein, none of our Shares are listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, the Company must maintain the “minimum prescribed percentage” of 25% of the total number of issued shares of the Company in the hands of the public. A total of 171,375,000 Shares, which represent 28.56% of the Company’s enlarged issued share capital will be in the hands of the public immediately following the completion of the Share Offer and upon Listing (assuming the options that may be granted under the Share Option Scheme are not exercised).

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on or about Friday, 21 July 2017. The Shares will be traded in board lots of 10,000 each.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. It is emphasised that none of us, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

PROCEDURES FOR APPLICATION FOR THE SHARES

The procedures for applying for the Shares are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus and on the Application Forms.

STRUCTURE OF THE SHARE OFFER

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

SHARE REGISTER AND STAMP DUTY

All the Shares issued pursuant to applications made in the Public Offer and the Placing will be registered on the branch register of members of our Company maintained in Hong Kong by the Hong Kong Branch Share Registrar. Our Company’s principal register of members will be maintained by our Company’s principal share registrar in the Cayman Islands, Estera Trust (Cayman) Limited.

Dealings in the Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless our Company determines otherwise, dividends payable in Hong Kong dollars in respect of the Shares will be paid at the Shareholder’s risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on GEM and compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on 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. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the Shares to be admitted into CCASS.

EXCHANGE RATE CONVERSION

Unless the context requires otherwise, conversion of EUR into HK\$, RMB into HK\$, SGD into HK\$ and US\$ into HK\$, is made in this prospectus, for illustration purposes only, at the rate of EUR1.00 to HK\$8.15, RMB1.00 to HK\$1.12, SGD1.00 to HK\$5.40, and US\$1.00 to HK\$7.80.

No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on such date or any other date.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the translated English names of the PRC nationals, entities (including certain of our subsidiaries), departments, facilities, certificates, titles, laws, regulations and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies between totals and sums of amounts listed in any table are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Ng Lai Ming (吳麗明)	Flat B, 5th Floor, Pine Tree Gardens, 4 Ede Road, Kowloon Tong, Kowloon, Hong Kong	Chinese
Ng Lai Tong (吳麗棠)	Flat A, 8th Floor, Block 12, Villa Rhapsody, Symphony Bay, Ma On Shan, New Territories, Hong Kong	Chinese
Cheung King (張勁)	Ground Floor to 1st Floor, No. 50H, Lung Mei Village, Ting Kok, Tai Po, New Territories, Hong Kong	Chinese
Ng Lai Po (吳麗寶)	Room 1209, Yan King House, King Shing Court, Fanling, New Territories, Hong Kong	Chinese
<i>Independent Non-Executive Directors</i>		
Tai Wai Kwok (戴偉國)	Flat A, 25th Floor, Block 2, Ronsdale Garden, 25 Tai Hang Drive, Tai Hang, Hong Kong	Chinese
Lo Kok Keung (盧覺強)	No. 13, 8th Street River North, Fairview Park, Yuen Long, New Territories, Hong Kong	British
Lau Chi Leung (劉志良)	Room 360, 3rd Floor, Block B, Ming Yuen Mansion, Phase 2, 64 Peacock Road, North Point, Hong Kong	Chinese

Please refer to the section “Directors and Senior Management” of this prospectus for further information.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor

Investec Capital Asia Limited
3609, 36th Floor,
Two International Finance Centre,
8 Finance Street,
Central, Hong Kong

**Joint Bookrunners and
Joint Lead Managers**
(in alphabetical order)

Aristo Securities Limited
Room 101, 1st Floor,
On Hong Commercial Building,
145 Hennessy Road,
Wanchai,
Hong Kong

Changjiang Securities Brokerage (HK)
Limited
Suite 1908, 19th Floor,
Cosco Tower,
183 Queen's Road Central,
Central,
Hong Kong

KGI Capital Asia Limited
41st Floor,
Central Plaza,
18 Harbour Road,
Wanchai,
Hong Kong

Public Offer Underwriters
(in alphabetical order)

Aristo Securities Limited
Room 101, 1st Floor,
On Hong Commercial Building,
145 Hennessy Road,
Wanchai,
Hong Kong

Ballas Capital Limited
Unit 1802, 18th Floor,
1 Duddell Street,
Central,
Hong Kong

Changjiang Securities Brokerage (HK)
Limited
Suite 1908, 19th Floor,
Cosco Tower,
183 Queen's Road Central,
Central,
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Founder Securities (Hong Kong) Limited
21st Floor,
33 Des Voeux Road Central,
Central,
Hong Kong

Halcyon Securities Limited
11th Floor,
8 Wyndham Street,
Central,
Hong Kong

KGI Capital Asia Limited
41st Floor,
Central Plaza,
18 Harbour Road,
Wanchai,
Hong Kong

Legal advisers to our Company

As to Hong Kong law:
Hastings & Co.
5th Floor, Gloucester Tower,
The Landmark, 11 Pedder Street,
Central, Hong Kong

Leung Wai Keung, Richard
Barrister-at-Law, Hong Kong
Des Voeux Chambers
38th Floor, Gloucester Tower,
The Landmark, 11 Pedder Street,
Central, Hong Kong

Li Chung Yin Tony
Barrister-at-Law, Hong Kong
Gary Plowman S.C. Chambers
Room 1401, Tower One, Lippo Centre,
89 Queensway, Admiralty, Hong Kong

As to PRC law:
Shu Jin Law Firm
12th Floor, Tai Ping Finance Tower,
Yitian Road 6001,
Futian District,
Shenzhen, China 518017

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

	<p><i>As to Singapore law:</i> Shook Lin & Bok LLP 1 Robinson Road #18-00, AIA Tower, Singapore 048542</p>
	<p><i>As to Cayman Islands law:</i> Appleby 2206-19 Jardine House, 1 Connaught Place, Central, Hong Kong</p>
Legal advisers to the Sponsor and the Underwriters	<p><i>As to Hong Kong law:</i> Chiu & Partners 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong</p>
	<p><i>As to PRC law:</i> King & Wood Mallesons 55th Floor, Guangzhou International Finance Center, 5 Zhujiang Xi Road, Zhujiang New Town, Guangzhou, Guangdong, China 510623</p>
Reporting Accountant	<p>PricewaterhouseCoopers Certified Public Accountants 22nd Floor, Prince's Building, Central, Hong Kong</p>
Internal Control Consultant	<p>BDO Financial Services Limited 25th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong</p>
Industry Consultant	<p>Ipsos Limited 22nd Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong</p>
Receiving Bank	<p>DBS Bank (Hong Kong) Limited 11/F, The Center, 99 Queen's Road Central, Hong Kong</p>

CORPORATE INFORMATION

Registered office	PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands
Headquarters and principal place of business in Hong Kong	8th Floor, Eu Yan Sang Tower, 11-15 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong
Principal place of business in the PRC	Room 2009, East Plaza, No. 1072 Jian She Road, Luohu District, Shenzhen, China 518001
Principal place of business in Singapore	5 Yishun Industrial Street 1, #02-04/05, North Spring Bizhub, Singapore 768161
Company's website address	http://www.mleng.com <i>(information on this website does not form part of this prospectus)</i>
Joint company secretaries	Mr. Ng Lai Po (BSocSc, FCCA) Room 1209, Yan King House, King Shing Court, Fanling, New Territories, Hong Kong Mr. Chan Sun Kwong Flat 1, 9th Floor, Block B, Pak On Building, 105 Austin Road, Kowloon, Hong Kong

CORPORATE INFORMATION

Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Ng Lai Ming Flat B, 5th Floor, Pine Tree Gardens, 4 Ede Road, Kowloon Tong, Kowloon, Hong Kong Mr. Ng Lai Po Room 1209, Yan King House, King Shing Court, Fanling, New Territories, Hong Kong
Authorised representative (for the purpose of the Companies Ordinance)	Mr. Ng Lai Ming 8th Floor, Eu Yan Sang Tower, 11-15 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong
Compliance officer (for the purpose of the GEM Listing Rules)	Mr. Ng Lai Po Room 1209, Yan King House, King Shing Court, Fanling, New Territories, Hong Kong
Audit committee	Mr. Tai Wai Kwok (<i>Chairman</i>) Mr. Lo Kok Keung Mr. Lau Chi Leung
Remuneration committee	Mr. Lo Kok Keung (<i>Chairman</i>) Mr. Ng Lai Ming Mr. Tai Wai Kwok Mr. Lau Chi Leung
Nomination committee	Mr. Lau Chi Leung (<i>Chairman</i>) Mr. Ng Lai Ming Mr. Lo Kok Keung Mr. Tai Wai Kwok
Corporate governance committee	Mr. Ng Lai Po (<i>Chairman</i>) Mr. Tai Wai Kwok Mr. Lo Kok Keung Mr. Lau Chi Leung

CORPORATE INFORMATION

Principal Share Registrar and transfer office in the Cayman Islands	Estera Trust (Cayman) Limited PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands
Hong Kong Branch Share Registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Compliance adviser	VMS Securities Limited 49th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong
Principal bankers	DBS Bank (Hong Kong) Limited 11th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong Standard Chartered Bank (Hong Kong) Limited Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong China CITIC Bank International Limited 80/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong

INDUSTRY OVERVIEW

The information that appears in this section headed “Industry Overview” has been prepared by Ipsos Limited (“Ipsos”). References to Ipsos should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics, the same has not been independently verified by us, the Sponsor, the Joint Bookrunners, the Underwriters or any of their respective directors, affiliates or advisers, or any other parties involved in the Share Offer and no representation is given as to its accuracy.

SOURCES OF INFORMATION

In connection with the Share Offer, we have engaged Ipsos, an Independent Third Party, to conduct an analysis of, and to report on, primarily the TBM Disc Cutter industry in Hong Kong, the PRC and Singapore. Ipsos, being one of the worldwide offices of the Ipsos group, a global consulting group, publicly listed on the New York Stock Exchange Euronext Paris, has experience in conducting market research for various industries in initial public offerings of companies listed on the Stock Exchange.

RESEARCH METHODOLOGY

In compiling the Ipsos Report, Ipsos obtained and gathered data and intelligence by: (i) conducting desk research covering government and regulatory statistics, industry and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (ii) performing client consultation to obtain background information of our Company; and (iii) conducting primary research by interviewing key stakeholders and industry experts. The information and statistics set forth in this section have been extracted from the Ipsos Report.

The information and analysis set out in the Ipsos Report was assessed independently by Ipsos, and Ipsos, including all its subsidiaries, divisions and units, is not connected to our Group. We agreed to pay Ipsos a fee of HK\$882,000 for the preparation of the Ipsos Report.

The following assumptions are used in the Ipsos Report:

- The supply and demand of TBM Disc Cutter by the TBM Disc Cutter industry in Hong Kong, the PRC and Singapore are assumed to remain stable during the forecast period.
- The external environment in Hong Kong, the PRC and Singapore is assumed to have no shocks, such as financial crises or natural disasters that will influence the demand and supply of the TBM Disc Cutter industry during the forecast period.

INDUSTRY OVERVIEW

Our Directors, having made reasonable enquiries, confirm that since the date of the Ipsos Report and up to the Latest Practicable Date, there had been no adverse change in the market information which may qualify, contradict, or have an impact on the information in this section of the prospectus.

OVERVIEW OF THE GLOBAL TBM INDUSTRY

Introduction

The exhibit below sets out the units of global TBM production from 2011 to 2020:

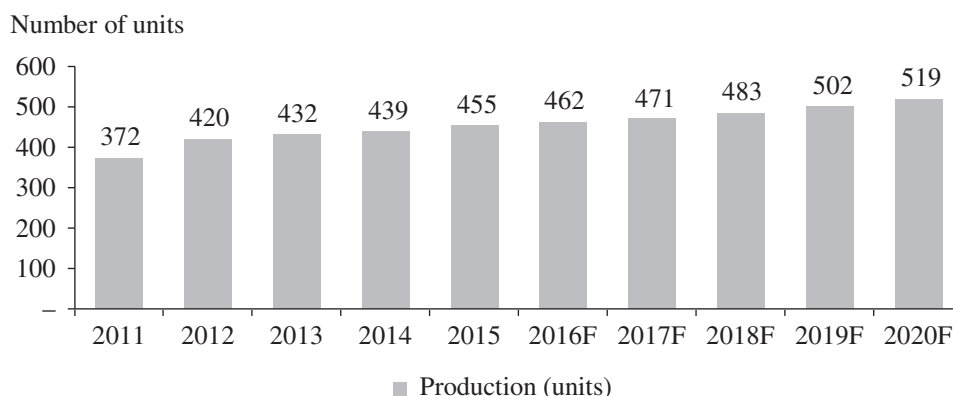


Exhibit 1 Units of global TBM production from 2011 to 2020

Source: Ipsos Report

Note: "F" denotes forecast.

From 2011 to 2015, the number of completed TBM units produced increased from 372 units to 455 units, at a CAGR of approximately 5.2%. During this period, there were a number of factors influencing production and capacity, with the move of manufacturing bases to the PRC seen as the biggest influence.

For the period from 2016 to 2020, it is expected that production will increase from 462 units to 519 units, expanding at a more modest rate of CAGR of around 3.0%. This increase is expected to come from the rising demand for infrastructure development in emerging economies.

TBM Disc Cutters, or Disc Cutters, have been a key component of most TBMs since their introduction in 1956. Designs of Disc Cutters have progressed with a number of different roller designs and spacing between cutters optimised for different environments. Disc Cutters are consumable part of the TBM because they would encounter wear and tear (for example, bearings, cutter rings, mounting system hardware) during use. Replacement of these is a time consuming and costly process.

The price of TBM Disc Cutters varies subject to its size. TBM Disc Cutters can be categorised by their diameter. Larger TBM Disc Cutters have larger bearing load capacity, which are usually priced higher. The price of TBM Disc Cutters may also vary considerably from project to project as the design and features of TBM Disc Cutters deployed have to cater for various geological conditions and earth compositions in different projects.

INDUSTRY OVERVIEW

TBM Disc Cutter manufacturers

TBM Disc Cutters can be manufactured by either a TBM manufacturer, or a TBM Disc Cutter manufacturer, such as Palmieri. Some TBM manufacturers do not produce their own Disc Cutters but instead purchase them from TBM Disc Cutter manufacturers like Palmieri.

The exhibit below sets forth the key manufacturers of TBM Disc Cutters globally:

Brand	Headquarters	Principal businesses	Distribution channels
Palmieri	Italy	Offers a comprehensive portfolio of tunnelling solutions and additional equipment for facilitating TBM machines.	Has engaged exclusive sales agents for TBM Disc Cutters in various geographies, including Hong Kong, the PRC and Singapore, which is our Group.
Manufacturer A	Germany	Offers a wide range of mechanised tunnelling technologies, equipment and services and thus comprehensive solutions for project-specific needs, including the design and manufacturing of TBMs and TBM Disc Cutters.	Has established sales offices in various geographies, including Hong Kong, the PRC and Singapore.
Manufacturer B	United States	Specialises in the design and manufacturing of TBMs as well as the manufacturing of conveyors, auger boring machines, micro tunnelling machines and TBM Disc Cutters.	Has established sales offices in various geographies, including Hong Kong, the PRC and Singapore.
Manufacturer C	Germany	Manufactures TBMs for various geological conditions and environmental requirements all over the world, including hard rock, mixed rock and soft rock tunnelling equipment, mobile tunnel miners and TBM Disc Cutters and spare parts.	Has established sales offices in various geographies, including the PRC and Hong Kong.
Manufacturer D	Japan	Provides diversified industrial-use products and services. Its group also engages in the provision of utility equipment, forest machines, industrial machinery, logistics and other solutions-based operation.	Has established sales offices in various geographies, including the PRC.

Exhibit 2 Key manufacturers of TBM Disc Cutters globally

Source: Ipsos Report

INDUSTRY OVERVIEW

In many cases, TBM Disc Cutters of one brand may not be applicable to other brands of TBMs. Yet, Palmieri's TBM Disc Cutters can be installed in many brands of TBMs and used for different ground conditions, which broaden their application and flexibility. As Palmieri is a well-known global manufacturer of TBM Disc Cutters, some TBM manufacturers have incorporated Palmieri's TBM Disc Cutters on their own TBMs. As such, Palmieri's TBM Disc Cutters have the advantage of wider application compared to TBM manufacturers which also produce TBM Disc Cutters.

OVERVIEW OF THE CONSTRUCTION AND TUNNELLING INDUSTRIES IN HONG KONG

Introduction

In Hong Kong, tunnelling works are mostly used for utilities networks and transportation infrastructure. There are four major customers of the tunnel works industry, namely (i) government departments, (ii) public utilities sector, (iii) private utilities sector, and (iv) MTRC.

Demand for foundation works depends heavily on demand for construction works, as common foundation works such as drilling and piling are usually conducted only after a construction project starts. As such, revenue growth in the foundation industry is closely aligned to that in the construction industry.

Construction works in Hong Kong

The exhibit below sets out the gross value of construction works performed in Hong Kong from 2011 to 2016:



Exhibit 3 Gross value of construction works performed in Hong Kong from 2011 to 2016

Source: Ipsos Report

Notes: (i) "E" denotes estimation; (ii) data indicates the gross value, in nominal terms, of construction works performed by main contractors and subcontractors at construction sites; and (iii) both public and private sectors are included.

The total gross value of construction works performed in Hong Kong is estimated to have increased from approximately HK\$89.0 billion in 2011 to approximately HK\$183.1 billion in 2016, representing a CAGR of approximately 15.5%, as a result of the Public Housing Development Program (PHDP), the launch of new public sector construction works and the "Ten Major Infrastructure Projects" proposed by the Hong Kong Government in 2007.

INDUSTRY OVERVIEW

Tunnelling industry in Hong Kong

Recent developments in the tunnelling and drilling works are mainly driven by the Government's initiatives to maintain, replace or construct new utility or transportation channels. One example is the "Ten Major Infrastructure Projects" launched by the Government in 2007. Four of the ten major infrastructure projects are tunnelling-related, including the MTRC South Island Line, the MTRC Shatin to Central Link, the Tuen Mun Western Bypass/Tuen Mun Chek Lap Kok Link and the Express Rail Link (Hong Kong Section).

According to the "2014 Railway Development Strategy" published by the Transport and Housing Bureau of Hong Kong, there are seven railway schemes proposed up to 2026, such as Northern Link and Kwu Tung Station, East Kowloon Line, South Island Line (West) and North Island Line. In addition, three other railway proposals were mentioned in the 2014 Railway Development Strategy without a stated time frame, including the Hong Kong – Shenzhen Western Express Line, the Tuen Mun to Tsuen Wan Link and the Siu Sai Wan Line.

The exhibit below shows the total contract value of TBM tunnel works in Hong Kong with construction periods completely or partly occurring during the period from 2011 to 2018 which have been announced as at 31 December 2016.

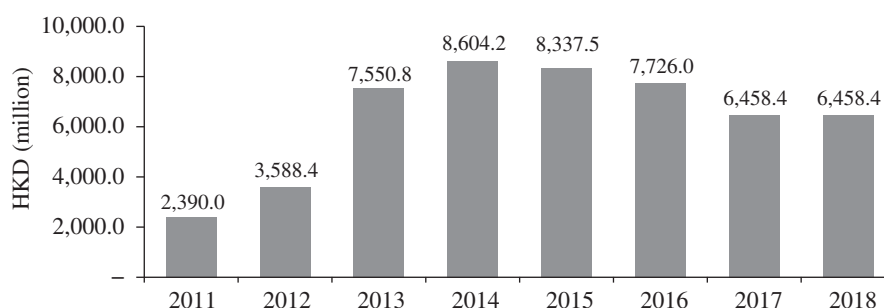


Exhibit 4 Total contract value of TBM tunnel works in Hong Kong with construction periods completely or partly occurring during the period from 2011 to 2018 which have been announced as of 31 December 2016

Source: Ipsos Report

Notes:

- (1) The figures shown above are based on the contract value of the TBM tunnel works in Hong Kong with construction periods completely or partly occurring during the period from 2011 to 2018 which have been announced as of 31 December 2016. The figures and year of completion are subject to changes if the construction plans are adjusted during the course of construction.

The total contract value for each year is the sum of contract value of all the TBM tunnel works completely or partly occurring during the year. The contract value of TBM tunnel work for each year is estimated by obtaining the start and end dates of the relevant contract and dividing the contract value by the total number of years of the relevant contract.

- (2) As the contract value for each year is estimated by dividing the contract value by the total number of years of the relevant contract, when no project commences or ends during a particular year, the total contract value for the next year(s) remains unchanged. Figures for 2017 to 2018 are constant because existing projects are in progress while no TBM tunnelling contracts are due to commence or are planned to be completed during the aforementioned years, according to information which have been announced as at 31 December 2016.

INDUSTRY OVERVIEW

During 2011 to 2016, the total contract value of TBM tunnel works in Hong Kong fluctuated within the range from approximately HK\$2,390.0 million to approximately HK\$8,604.2 million. The increasing trend of the contract value of tunnel works from 2011 to 2014 could be attributed to the launch of the implementation of the “Ten Major Infrastructure Projects” with a number of TBM tunnel works. Since there were several TBM tunnel works ongoing during the period 2013 and 2014, the industry witnessed a spike in the contract value of the TBM tunnel works in these two years. As several of the TBM tunnel works finished by 2014 and 2015, the industry witnessed a moderate drop in the contract value of TBM tunnel works. The drop was attributable to factors such as the delay of the implementation of a number of infrastructure projects in Hong Kong given the challenges of obtaining budget approval as a result of filibusters at the Legislative Council and longer than expected consultation periods. Based on the foregoing, the demand for TBM Disc Cutters is thus likely to be lower until 2018 because the remaining TBM tunnel works are expected to finish by 2018. However, it is expected that new tunnel works are likely to commence after 2018 due to the upcoming infrastructure projects which support the long-term land use strategy. In particular, this is due to the Government’s strategic goals on transport infrastructure as emphasised in the 2017-2018 Policy Address and the fact that the Drainage Services Department of the Government is expected to announce more TBM tunnel works starting in 2019 and 2020. These major infrastructure projects under planning may require TBM tunnel works. Furthermore, since TBMs have the advantages of causing less environmental impacts and traffic disturbance over other methods of tunnelling, it is anticipated that the use of TBMs for tunnel works will become more common in Hong Kong in the future, hence driving the demand for TBM Disc Cutters.

The demand for TBM Disc Cutters generally fluctuates according to the amount of TBM tunnel works. In general, the contract value of TBM Disc Cutters accounted for approximately 0.5% to 2% of the contract value of TBM tunnel works.

The exhibit below sets forth the TBM tunnel works in Hong Kong with construction periods completely or partly occurring during the period from 2011 to 2018 which have been announced as of 31 December 2016:

TBM tunnel works	Tunnel sections using TBM method <i>(Note 1)</i>	Developer	Length of tunnel sections using TBM method <i>(km)</i> <i>(Note 2)</i>	Total contract value of TBM tunnel works <i>(HK\$'million)</i> <i>(Note 2)</i>	Involvement of our Group <i>(Note 3)</i>
Tuen Mun-Chek Lap Kok Link	N/A	Highways Department of the Government	9.6	18,200	Yes
Liantang/Heung Yuen Wai cross-boundary check point and associated connecting roads in Hong Kong	Lung Shan Tunnel	Civil Engineering & Development Department of the Government	9.6	10,314	Yes
West Island Line	Sheung Wan to Sai Ying Pun Tunnels	MTRC	1.3	1,600	Yes

INDUSTRY OVERVIEW

TBM tunnel works	Tunnel sections using TBM method	Developer	Length of tunnel sections using TBM method (km) (Note 2)	Total contract value of TBM tunnel works (HK\$'million) (Note 2)	Involvement of our Group (Note 3)
Express Rail Link: Guangzhou Shenzhen-Hong Kong	Mai Po to Ngau Tam Mei Tunnels	MTRC	4.6	1,684	Yes
	Mei Lai Road to Hoi Ting Road Tunnels		7.1	3,669	Yes
	Tai Kong Po to Tse Uk Tsuen Tunnels		3.3	1,502	Yes
Shatin to Central Link	Ma Chai Hang Playground to Diamond Hill tunnels	MTRC	2.8	2,728	No
	Diamond Hill to Kai Tak Tunnels		1.7	1,067	No
	Kowloon City Section		3.2	4,570	No
	Causeway Bay Typhoon Shelter To Admiralty Tunnels		2.3	5,267	Yes
Harbour Area Treatment Scheme Stage 2A – Upgrading of the Stonecutters Island Sewage Treatment Works and the Interconnection Tunnel	N/A	Drainage Services Department of the Government	0.3	534	No
Tsuen Wan Drainage Tunnel	N/A	Drainage Services Department of the Government	5.2	1,123	No
Lai Chi Kok Transfer Scheme	N/A	Drainage Services Department of the Government	3.7	1,200	No
Hong Kong West Drainage Tunnel	N/A	Drainage Services Department of the Government	10.5	2,752	Yes

Exhibit 5 TBM tunnel works in Hong Kong with construction periods completely or partly occurring during the period from 2011 to 2018 which have been announced as of 31 December 2016

Source: Ipsos Report

Notes:

- (1) The names of some tunnel sections are not publicly available for non-MTRC projects.
- (2) The contract value, length of tunnel works and year of completion were based on available information as at 31 December 2016; figures may be subject to change if the construction plans are adjusted during the course of construction.
- (3) (Where relevant) our Group was involved in the supply of TBM Disc Cutters which may include the provision of repair and maintenance services.

Ipsos is of the view that as there is no publicly available information regarding the contract value of TBM Disc Cutters for specific tunnel projects and it was unable to provide an estimate of the revenue of the TBM Disc Cutters industry.

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COMPETITIVE LANDSCAPE OF THE TBM DISC CUTTER INDUSTRY IN HONG KONG

Supply of TBM Disc Cutters and associated services in Hong Kong

Tunnel boring is one of the commonly adopted methods for a tunnelling project, whereby TBM equipped with TBM Disc Cutters is deployed. While TBM can be used over time, TBM Disc Cutters are consumable products which may require repair and/or replacements during the course of excavation from time to time.

TBM Disc Cutters can be supplied by TBM manufacturers (which produce TBM Disc Cutters) or supplier which serves as sales agent for a TBM Disc Cutters manufacturer, for example, our Group. A small number of TBM Disc Cutter suppliers also offer value-added services in addition to the TBM Disc Cutters with a view to help tunnel projects contractors reduce the risk of project delays and control their budget. These value-added services may include pre-sales and after-sales services. Pre-sales services consist of advice on the application of TBM Disc Cutters, geological analysis and estimates on the consumption of TBM Disc Cutters, which will aid the contractors in choosing suitable TBM Disc Cutters and setting a budget for TBM Disc Cutters. After-sales services include on-going technical advice, monitoring of the consumption of TBM Disc Cutters, procurement and inventory management as well as the repair and maintenance of TBM Disc Cutters, which are considered crucial by main contractors because TBM Disc Cutters will become worn out and need to be repaired.

Price trend of TBM Disc Cutters in Hong Kong

As set out in the Ipsos Report, the price of TBM Disc Cutters varies considerably from project to project due to different requirements on sizes, specifications and other features. Nevertheless, the price of TBM Disc Cutters has been relatively stable from 2010 to 2016 with a positive CAGR of less than 2%.

One reason for the stable price trend is that the demand for TBM Disc Cutters is mainly driven by large tunnelling projects with various geological conditions and earth compositions in Hong Kong. There is a limited number of TBM Disc Cutter models with certain specifications that are applicable to a particular infrastructure project. This is because different tunneling projects may require different types of TBM Disc Cutters. As a result, for a particular project, only certain TBM Disc Cutter models are suitable for a project, which leads to less market competition when supplying the TBM Disc Cutters. Such has contributed to the stable price trend of TBM Disc Cutters from 2010 to 2016.

Furthermore, the demand for TBM is mainly driven by large infrastructure projects with extensive planning period. Therefore, the manufacturers of TBM Disc Cutters can plan their production accordingly and produce sufficient units to meet the estimated market demand. As a result, both the supply and demand for TBM and TBM Disc Cutters are relatively predictable, which leads to the stable price trend.

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In addition, the unit price of TBM Disc Cutters is influenced by the costs of raw materials, especially the cost of steel, being the main raw material of TBM Disc Cutters. Since TBM Disc Cutters are generally made of specific types of alloy steel, the demand and production costs of which did not fluctuate considerably. This further contributed to the stable price trend of TBM Disc Cutters from 2010 to 2016.

As for the future prospects, Ipsos is of the view that the aforementioned factors will continue to hold true. According to the Ipsos Report, no major foreseeable event is expected to materially affect the production cost and market competition. On this basis, the price trend of TBM Disc Cutters is believed to remain relatively stable from 2017 to 2020 and is unlikely to experience material decline because there is limited market competition in Hong Kong.

Key growth drivers of TBM Disc Cutter industry in Hong Kong

The major driver of the TBM Disc Cutters industry in Hong Kong is the implementation of large scale infrastructure projects. For example, the introduction of the “Ten Major Infrastructure Projects” in 2007 has driven the growth of the tunnel works industry in Hong Kong which has in turn raised the demand for TBM Disc Cutters and bolstered the growth of the TBM Disc Cutters industry. The trend of implementing large-scale infrastructure projects is likely to continue, especially large-scale cross-border infrastructure projects which are expected to underpin the relationship between Hong Kong and the PRC.

In addition, the “2014 Railway Development Strategy” published by the Transport and Housing Bureau of Hong Kong proposed seven railway schemes up to 2026, with three further railway proposals mentioned without a confirmed time frame, which, if implemented, will impact positively on the TBM Disc Cutter industry in Hong Kong.

Factors influencing competition within the TBM Disc Cutter market in Hong Kong

TBM Disc Cutter suppliers with proven track record are generally more reputable in the industry, helping such companies to establish long-term customer relationships. In general, (i) timely delivery; (ii) quality; (iii) ability to meet the project timeline; (iv) flexibility and ability to meet project technical requirements; and (v) the ability to offer competitive pricing are the key factors influencing competition within the TBM Disc Cutter market within Hong Kong.

Market barriers to entry into the TBM Disc Cutter industry in Hong Kong

Importance of technical expertise – The types of TBM Disc Cutters required vary depending on the geological nature of the site. Providing technical support to ensure that the correct TBM Disc Cutters are used can be an entry barrier as new entrants may not possess the necessary level of experience and technical expertise to provide such support and compete effectively.

Supplier reputation, credibility and network – Reputation and credibility, which are built over time by providing satisfactory products and services and delivering products on time, are crucial for selecting TBM Disc Cutters suppliers, particularly as project delays could adversely affect the costs of a project. In addition, having a reliable trading network is important in maintaining supply source(s).

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Large capital investment – A large initial capital investment may be required to fulfil the needs of a tunnel works contractor. As TBM Disc Cutters are consumables and need to be replaced periodically, it may be necessary for the TBM Disc Cutter suppliers to keep sufficient inventory in stock to cater for the needs of contractors.

Competitive advantages of our Group in the TBM Disc Cutter supply industry in Hong Kong

To the knowledge of Ipsos, our Group, with over 20 years of experience, possesses extensive knowledge of TBM tunnelling projects and in particular, the use of TBM Disc Cutters. Through data collection throughout various TBM projects, our Group has accumulated a large amount of geological data as well as data on TBM Disc Cutter replacement rates in different geological conditions. As a result, our Group is well positioned to provide professional advice to contractors on the deployment of TBM Disc Cutters during project implementation to help contractors save costs and avoid project delays.

According to Ipsos, the monitoring, repair and maintenance of TBM Disc Cutters are important for TBM tunnelling projects. Our Group has a technical team with expertise in the repair and maintenance of TBM Disc Cutters to help contractors by performing maintenance works. Our Group follows the factory standards and guidelines from Palmieri to ensure the quality of the rebuilt TBM Disc Cutters.

Our Group also provides TBM Disc Cutters inventory management services, including provision of updates on the inventory of TBM Disc Cutters from time to time and estimates on the potential procurement of TBM Disc Cutters. These services help to ensure that supply of TBM Disc Cutters can correspond with project progress and reduce project delays, which are of particular importance to contractors.

Competitive ranking of TBM Disc Cutter suppliers in Hong Kong

According to Ipsos, there is only one specialist TBM Disc Cutter supplier (which is not a TBM manufacturer) in Hong Kong, which is our Group. Other than our Group, there are no other TBM Disc Cutter suppliers offering similar services to our Integrated Engineering Solutions in Hong Kong. This is considered a key product differentiator of our Group against our competitors. Also, it is unlikely that Palmieri will establish its own sale channels or engage another agent offering the Integrated Engineering Solutions (or similar services) in Hong Kong because (i) to the best of the Directors' knowledge, information and belief, it has been the business model of Palmieri to conduct sales through agents instead of establishing its own sales team or channel for sale of its products in Hong Kong, the PRC, Singapore and other Southeast Asian countries; (ii) as disclosed in the paragraph headed "Business – Suppliers and Fabricated Steel Factories – Suppliers – Mutual benefits between our Group and Palmieri" in this prospectus, it is beneficial for Palmieri to engage us as its agent in the aforesaid geographies; (iii) our long established business relationship with Palmieri which dated back to the late 1990s enables us to better understand the strengths and challenges faced by Palmieri than other agents that Palmieri can potentially engage; (iv) our Group has a pivotal role as the exclusive agent

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in Palmieri's sale of Palmieri Tunnelling Products and Palmieri Vertical Drilling Products into various Southeast Asian countries since the late 1990s; (v) our Group's setup, customer network, local expertise and knowledge in the specialised construction equipment and cutting tools industry can complement Palmieri's business; (vi) in the absence of other TBM Disc Cutter suppliers/agents (which is not a TBM manufacturer) offering similar services to our Integrated Engineering Solutions in Hong Kong, which is considered to be a key product differentiator of our Group against our competitors, it is considered that Palmieri is unlikely to be able to engage another agent offering our Integrated Engineering Solutions (or similar services) in Hong Kong with a similar level of reach to our customer network; and (vii) as disclosed in the paragraph headed "Business – Suppliers and Fabricated Steel Factories – Suppliers" in this prospectus, the 2015 Exclusive Agreement and the MEK Exclusive Distribution Agreement entered into in May 2015 and January 2016, respectively, shall continue to be in force for 20 years from the date of the respective agreements unless they are early terminated pursuant to the terms and conditions therein.

To the knowledge of Ipsos, there are only several brands of TBM Disc Cutters used in Hong Kong and the major brands of TBM Disc Cutters used in Hong Kong are Palmieri (as supplied by our Group) and Manufacturer A. Such was mainly attributable to the niche nature of the TBM Disc Cutter market in Hong Kong. While the end users of TBM Disc Cutters may consider using non-Palmieri products based on their preference and budget, according to Ipsos, the end users may not have many alternatives because no specialist TBM Disc Cutter suppliers present in Hong Kong (other than our Group) supplied TBM Disc Cutters and offered similar level and range of value-added services to main contractors. For example, Manufacturer A, being a TBM manufacturer, also sells its own brand of TBM Disc Cutters but does not provide the comprehensive range and depth of value-added services which our Group offers under our Integrated Engineering Solutions business model (including, among others, the supply of the relevant spare parts, the supply of fabricated construction steel works and equipment, technical consultation services, monitoring of customers' inventory level, ancillary services which include leasing of specialised construction equipment and repair and maintenance services). Given there are only a limited number of sizeable manufacturers in such a niche market, the industry landscape of the TBM Disc Cutter manufacturers and suppliers in Hong Kong is dominated by a few market participants. Among the 14 TBM tunnel works projects set out under Exhibit 5 above which have an estimated total length of approximately 65.2 km, eight TBM tunnel works projects use Palmieri's Disc Cutters provided by our Group. Discounting the involvement of other supplies of TBM Disc Cutter in the projects that our Group has supplied TBM Disc Cutters for, our Group has provided TBM Disc Cutters for tunnel works projects with total length of approximately 48.3 km, and thus accounted for approximately 74.1% of the total length of the said 14 TBM tunnel works projects in Hong Kong. Other TBM Disc Cutter suppliers have thus together provided TBM Disc Cutters for the remaining length of the tunnel sections (approximately 16.9 km), accounted for approximately 25.9% of the total length of the said 14 TBM tunnel works projects in Hong Kong.

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Threats to the TBM Disc Cutter industry in Hong Kong

Price pressure from increasing operation costs – Increasing labour and raw material costs have driven up the operation costs of tunnel works and other construction projects, thus creating price pressure for TBM Disc Cutter suppliers during the price setting stage. This may lower their profit margins and threaten the growth of the TBM Disc Cutter industry in Hong Kong.

Policy driven nature of the industry – The demand for tunnel works and TBM Disc Cutters are to a large extent driven by the policies proposed by the Government. The policy driven nature of tunnel works may lead to fluctuations in the demand for TBM Disc Cutters in Hong Kong.

OVERVIEW OF THE CONSTRUCTION AND TUNNELLING INDUSTRIES IN THE PRC

Introduction

The PRC currently has the world's largest construction industry in terms of gross output value in 2015, which contributes approximately 64% to the Asia-Pacific's regional value, and approximately 35% of the global value. The exhibit below sets forth the total spending on tunnel construction in the PRC from 2011 to 2020:

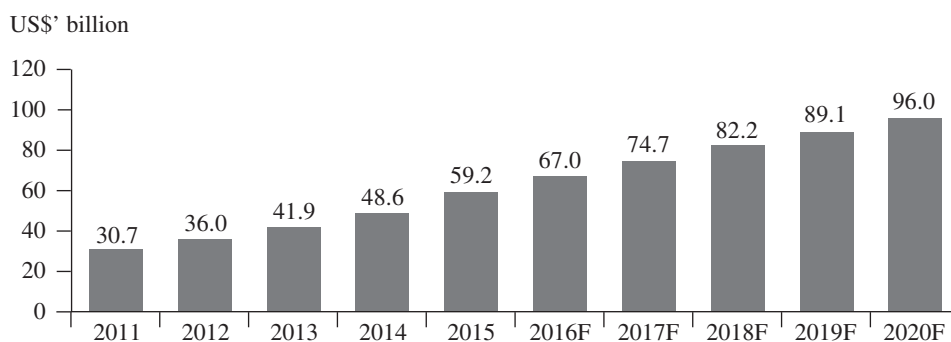


Exhibit 6 Total spending on tunnel construction in the PRC from 2011 to 2020

Source: Ipsos Report

Note: "F" denotes forecast.

From 2011 to 2015, the total spending on tunnel construction in the PRC increased from approximately US\$30.7 billion to US\$59.2 billion, representing a CAGR of approximately 17.8%, which can be mainly attributed to the growing government investments in road and rail infrastructure. The forecast of tunnel construction spending from 2016 to 2020 is also positive, expected to grow from approximately US\$67.0 billion in 2016 to approximately US\$96.0 billion in 2020, representing a CAGR of approximately 9.4%.

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Construction projects requiring tunnel works

A number of construction projects requiring tunnel works are being carried out the PRC. Some of the sizable ongoing and to be commenced projects as at 31 December 2015 include Dalian-Yantai Undersea Tunnel, Shenzhen-Zhongshan Bridge and Xiamen No.2 Undersea Tunnel, etc. Some of the high-speed rail projects that are currently under construction include Nanchang-Shenzhen High-speed Railway, Beijing Zhangjiakou Railway Passenger Dedicated Line, Zhenzhou-Xuzhou High-speed Railway and the Jinan Qingdao Railway. The number of TBMs sold in the PRC steadily increased from 114 in 2011 to 175 in 2014 at a CAGR of approximately 15.4%. The PRC's demand for TBMs is projected to grow in the coming years, which will also drive the market for TBM Disc Cutters.

COMPETITIVE LANDSCAPE OF THE TBM DISC CUTTER INDUSTRY IN THE PRC

Introduction

According to a report published by China Civil Engineering Society (CCES), the PRC has been ranked first globally in terms of the scale of tunnel construction in 2016. The total length of tunnels across the PRC has been increasing by over 1,000 kilometres a year from 2011 to 2016. Different methods are used to construct different tunnels depending on geological conditions, soil composition, project budget and environmental concerns. Among various tunnelling methods, TBM is the most popular and prevalent in the PRC.

Supply of TBM Disc Cutters and associated services in the PRC

According to Ipsos, the TBM Disc Cutter market in the PRC is relatively fragmented with 30 to 40 players with local TBM Disc Cutter manufacturers dominating the market. The market players can be broadly divided into the following categories: (i) local brand TBM Disc Cutter manufacturers; (ii) local TBM manufacturers which manufacture TBM Disc Cutters; (iii) foreign TBM manufacturers which manufacture TBM Disc Cutters in the PRC; and (iv) foreign and/or local companies (which do not have manufacturing facilities in the PRC) importing TBM Disc Cutters into the PRC, such as our Group. Most local TBM manufacturers do not produce TBM Disc Cutters; instead, they prefer to buy from specialised TBM Disc Cutter manufacturers or suppliers.

Provision of after-sales services depends on the type of TBM Disc Cutter supplier. Companies selling only TBMs with own-brand TBM Disc Cutters (and not supplying TBM Disc Cutters separately) provide after-sales services for their own-brand TBM Disc Cutters only. In the case of foreign TBM manufacturers and TBM Disc Cutter manufacturers with local presence in the PRC (for example, Palmieri, Manufacturer A and Manufacturer B), after-sales services, such as component repair and replacement, can be offered by their local branch offices or nominated local distributors.

Price trend of TBM Disc Cutters in the PRC

In general, the price of TBM Disc Cutters has been slightly declining in the PRC over the last two to three years. The price of TBM Disc Cutters in the PRC is mainly influenced by raw material costs (especially cost of steel, which is the major raw material of TBM Disc Cutters) and level of competition among the market players.

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Key growth drivers of TBM Disc Cutter industry in the PRC

The major driver of the TBM Disc Cutter industry in the PRC is the expanding TBM market, which is mainly driven by the implementation of large scale infrastructure projects. For example, as of 2016, approximately RMB4.7 trillion in funding was planned for a total of 303 projects across the PRC including railways, roads, waterways, airports and metro systems, which will likely provide substantial business opportunities for tunnel works and therefore TBM Disc Cutter industry. Considering the long import time and higher price of a foreign brand TBM Disc Cutters, local manufacturers are emerging to adopt similar technologies to produce high quality disc cutters more cheaply. The trend of implementing large scale infrastructure projects is also likely to continue, especially large scale cross border infrastructure projects (including (a) projects under the One Belt, One Road initiative proposed and led by the PRC Government and supported by PRC's policies banks, namely, the China Development Bank and the China Export-Import Bank, which is expected to include construction of a network of overland roads, rail links, energy pipelines and telecommunications ties linking the PRC, Central Asia, the Middle East, Europe and Russia; and (b) the expected increase in participation by Asian Infrastructure Investment Bank in financing Asian based infrastructure projects with a priority to enhance cross-country connectivity), which are expected to underpin the relationship between the PRC and its neighboring countries.

Factors influencing competition within the TBM Disc Cutter market in the PRC

As with the market for TBM Disc Cutters in Hong Kong, suppliers with proven track records are generally more reputable in the industry. In general, (i) timely delivery; (ii) quality; (iii) ability to meet the project deadlines; (iv) flexibility and ability to meet project technical requirements; (v) the ability to offer competitive pricing; and (vi) credit period are the key factors influencing competition within the TBM Disc Cutter market within the PRC.

Market barriers to entry to the TBM Disc Cutter industry in the PRC

Most of the entry barriers to the TBM Disc Cutter industry in the PRC are similar to those in the Hong Kong market. One of the key entry barriers in the PRC is increasing competition from local brand Disc Cutter manufacturers. Local brand players are adopting the technologies used by foreign brands and are building products with the intention to catch up with the higher quality standards of foreign brands and their prices are usually cheaper than the foreign brands, thereby posing potential threats to new entrants. However, some contractors may prefer foreign brands due to better quality and performance.

Threats to the TBM Disc Cutter industry in the PRC

Lack of core technology – Local brand Disc Cutter manufacturers attempting to imitate foreign brands to produce high quality TBM Disc Cutters may not have the core technology to produce certain key components of a TBM Disc Cutter.

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Competitive pricing and price pressure from increasing operation costs – The ability to offer competitive pricing determines a TBM Disc Cutter company’s competitiveness in the industry as contractors focus on minimising their operation costs. On the other hand, operation costs for contractors have increased, mainly due to the increasing labour and raw material costs, thus creating price pressure for TBM Disc Cutter companies.

Competitive advantages and ranking of TBM Disc Cutter suppliers in the PRC

Our Group has substantial experience and in-depth knowledge in the TBM Disc Cutters industry in the PRC. Our Group, being an exclusive agent of Palmieri which is renowned for its quality in the PRC, is able to provide TBM Disc Cutters with higher quality and performance than those of the local brands. Our Group can also provide TBM Disc Cutters for various geologies, with a specialisation for hard rock TBM Disc Cutters. When encountering hard rock geological conditions and complicated earth composition, contractors prefer to use Palmieri’s Disc Cutters which are perceived to be more durable. This is a considerable advantage to our Group because applying suitable and specialised TBM Disc Cutters to different ground geologies is critical in tunnelling projects in reducing the costs caused by downtime and maintenance works.

Our Group has entered into an exclusive distribution agreement with MEK, a subsidiary of Palmieri, for the distribution of MEK products. Through collaboration with MEK, our Group is able to provide TBM Disc Cutters assembly, installation and maintenance services to our customers in the PRC. These services help to reduce the supply time of TBM Disc Cutters as compared to importing TBM Disc Cutters from overseas, and help to minimise project delays and cost overruns. Given the abovementioned advantages, contractors may choose our Group for procuring TBM Disc Cutters.

Notwithstanding that Palmieri is renowned for its quality in the PRC and our Group is able to provide TBM Disc Cutters with higher quality and performance than those of the local brands’ according to Ipsos, our Group did not have a substantial market share of the PRC’s TBM Disc Cutter market because of the fragmented market structure. Having considered the aforesaid, our Directors consider that it is not meaningful to disclose the competitive ranking of TBM Disc Cutter suppliers in the PRC.

OVERVIEW OF THE CONSTRUCTION AND TUNNELLING INDUSTRIES IN SINGAPORE

Introduction

The private construction sector has largely been the driving force of the construction industry in Singapore over the last decade. The tunnel works industry has grown over the last two decades in Singapore. The most significant use of tunnelling works in Singapore is for the development of the MRT system which mostly runs underground. In addition to the MRT system, tunnelling works in Singapore also stems from (i) power grids and high voltage power transmission cable tunnels operated by Singapore Power, a state owned utility company (“**Singapore Power**”); (ii) the development of sewage system which is overseen by the PUB; and (iii) the growing demand for underground oil storage facilities.

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The exhibit below sets out the total construction industry value in Singapore from 2014 to 2020:

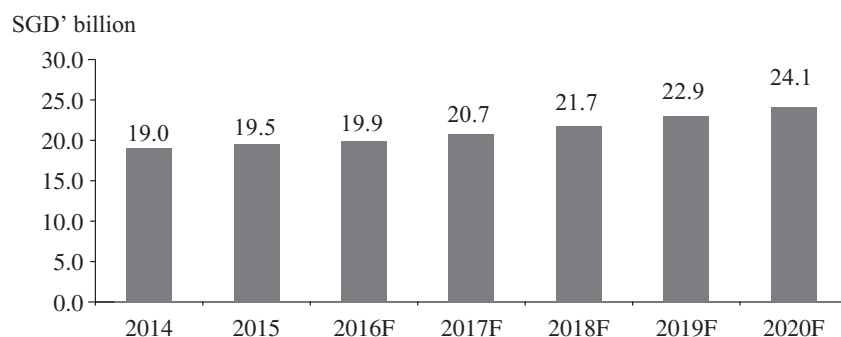


Exhibit 7 Total construction industry value in Singapore from 2014 to 2020

Source: Ipsos Report

Note: "F" denotes forecast.

The construction industry value is forecasted to grow to approximately SGD24.1 billion in 2020 from approximately SGD19.0 billion in 2014, representing a CAGR of approximately 4.0%. Such can be attributable to a number of factors, including construction demand from the private sector as well as public sector civil engineering works. The main drivers will be government plans to develop the MRT system and public residential projects to support the growing population of Singapore. Key projects include the Home Improvement Programme for the Housing and Development Board flats, the construction of the new National Cancer Centre, State Courts' new building at Havelock Square, PUB's water reclamation and sewerage projects, Changi Airport's 3-runway system, improvement works to the Kranji Expressway and Pan-Island Expressway, and the remaining contracts for the Thomson-East Coast MRT line.

Construction projects requiring tunnel works

There were nine infrastructure projects involving tunnelling works awarded or commenced from 2012 to 2015 that are still ongoing such as Singapore Power Group's Transmission Cable Tunnel Project, upgrading works of Caldecott MRT station, the North-South Expressway, Thomson-East Coast MRT Line and Downtown MRT Line. For the development of Thomson-East Coast MRT Line, there were a total of 16 ongoing tunnelling works in 2015, which are scheduled to be completed by 2019. Projects involving tunnelling works that commenced in 2016 include the PUB's deep tunnel sewage system phase 2 and the construction of Downtown line at Sungei Bedok MRT station. In addition, trains of the Singapore portion of Kuala Lumpur – Singapore high speed railway line are planned to run in tunnels from the border with Malaysia to the Jurong East terminus, for which the tendering process is due to commence in 2017 with completion targeted to take place in 2026.

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COMPETITIVE LANDSCAPE OF THE TBM DISC CUTTER INDUSTRY IN SINGAPORE

Supply of TBM Disc Cutters and associated services in Singapore

According to Ipsos Report, TBM Disc Cutters are imported into Singapore either from the foreign manufacturers of TBMs or through our Group to supply construction firms such as South Korean and Japanese based corporations which are major market participants involved in the tunnelling works in the Singapore. The source of TBM Disc Cutter supply is dependent on the policy and preference of the construction firm that is undertaking tunnelling works.

Apart from our Group which provides Integrated Engineering Solutions (including, among others, the supply of TBM Disc Cutters and relevant spare parts, technical consultation services, monitoring of customers' inventory level and repair and maintenance services), TBM Disc Cutters can also be supplied directly from TBM manufacturers, such as Manufacturer A and Manufacturer B, which involves importing and shipping spare parts directly from their factories located in various parts of the world. Manufacturer A, being a TBM Manufacturer, also provides technical consultation services to customers, such as TBM Disc Cutter selection and spare parts management. As Manufacturer A only began manufacturing their own TBM Disc Cutters in the last decade, it has a longer history of manufacturing TBMs and is relatively less specialised in the TBM Disc Cutters. Manufacturer B, also being a TBM manufacturer, also provides some technical support services and a spare parts program through a local office and a local representative company in Singapore.

Price trend of TBM Disc Cutters in Singapore

Similar to Hong Kong, TBM Disc Cutters have witnessed a relatively stable price trend from 2010 to 2015 but increased in 2016. The price trend of TBM Disc Cutters in Singapore is largely influenced by the raw materials cost, such as steel.

Key growth drivers of the TBM Disc Cutter industry in Singapore

The major current driver for the TBM and TBM Disc Cutter market in Singapore is the rapid development of the MRT system, utility projects with Singapore Power and the PUB and underground oil storage facilities. The Singapore government has announced approximately SGD18 billion in investments for the Thomson Line MRT developments, and has announced approximately SGD2 billion in investments for the development of the underground power cables. Tunnelling works in Singapore are expected to grow with the Singapore government investing in the transportation, utility and oil storage industry.

Factors influencing competition within the TBM Disc Cutter market in Singapore

The key factors of competition in the TBM Disc Cutter supply industry in Singapore are similar to those in Hong Kong such as having a proven track record, the capacity to meet the project schedules and technical requirements, stable business relationships with TBM Disc Cutter manufacturers and the ability to offer competitive pricing. In general, timely TBM Disc Cutter delivery and quality of TBM Disc Cutters are the key factors to establish a TBM Disc Cutter supplier's track record.

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Market barriers to the TBM Disc Cutter industry in Singapore

Singapore's geology consists of a variety of formations. Currently, established TBM Disc Cutter suppliers are familiar with the market and are able to supply TBM Disc Cutters that are suitable for the geology of Singapore. New entrants may not be able to supply quality TBM Disc Cutters until they are further familiarised with Singapore's market. This may deter the adoption of new entrant's TBM Disc Cutters. Furthermore, without a proven local track record in Singapore, it will be challenging for new entrants to penetrate the market and compete against well-established existing TBM Disc Cutter suppliers with ongoing relationships and a good distribution network on the ground.

In addition, although the construction industry in Singapore has experienced growth on an annual basis, it has faced challenges that have impeded growth, such as the increase in foreign worker levies. The increase in levies for the basic skilled foreign workers was announced in the Singapore Budget in 2013 and came into effect in 2015. Such has impacted on the industry's manpower supply as well as creating extra financial burden to construction firms.

Threats to the TBM Disc Cutter industry in Singapore

The current threats to the TBM Disc Cutter industry in Singapore are the increasing production costs for Disc Cutters and the established market presence of foreign entrants who are more familiar with the market landscape in Singapore. Tunnelling work costs are increasing as a result of Singapore's foreign worker policy, foreign worker levies and the increase in cost of raw materials. As a result, TBM Disc Cutter suppliers may be pressured to lower the prices of TBM Disc Cutters, thus lowering their profit margins.

Competitive advantages and ranking of TBM Disc Cutter suppliers in Singapore

According to Ipsos, our Group has amassed experience and knowledge of the market such as Singapore's geological conditions and the related Disc Cutter requirements for tunnel works, which enable our Group to provide the Integrated Engineering Solutions. Being the only TBM Disc Cutter supplier (which is not also a TBM manufacturer) with a presence in Singapore, our Group is able to work closely with construction firms and ensure that the Disc Cutters supplied are able to meet the technical requirements.

To the knowledge of Ipsos, other than our Group, there are no other TBM Disc Cutter suppliers/agents who were not a TBM manufacturer offering similar services to our Integrated Engineering Solutions in Singapore. This is considered as a key product differentiator of our Group against our competitors. Also, it is unlikely that Palmieri engages another agent offering the Integrated Engineering Solutions (or similar services) in Singapore.

Competitive landscape, market outlook and entry barriers of the TBM Disc Cutter industry in Malaysia

From 2011 to 2015, the total value of construction works performed in Malaysia has increased from approximately RM64.3 billion to approximately RM114.9 billion, representing a CAGR of approximately 15.6%. The growth was attributable to, among other factors, the

INDUSTRY OVERVIEW

Malaysia's Economic Transformation Program (the "ETP") which was launched in 2012. The total value of construction work performed is expected to increase at a CAGR of approximately 5.8% from approximately RM123.7 billion in 2016 to approximately RM155.3 billion in 2020. This is attributable to, among other factors, supportive government policies such as the ETP. It is expected that infrastructure projects would continue over the forecast period, so as to achieve the four strategic priorities set by the Malaysian government including enhancements to the transportation network, tourism infrastructure, housing supply and energy supply.

Construction projects involving tunnel works in Malaysia include utilities and construction projects such as the Pahang Selangor Raw Water Transfer Tunnel, the launch of the third Light Rail Transit system, the expansion of the Mass Rapid Transit system and the Penang road network development project.

TBMs employed in Malaysia include those manufactured by a Chinese TBM manufacturer, Manufacturer B and Manufacturer A. It is believed that the competitive landscape of the TBM Disc Cutter supply industry in Malaysia is largely dominated by the above mentioned TBM manufacturers who may also supply TBM Disc Cutters for their projects.

The entry barriers to the TBM Disc Cutter supply industry in Malaysia include strong reputation of established market players, the well established relationships between main contractors, TBM manufacturers and other TBM Disc Cutter suppliers, the new entrants' lack of proven track record amongst customers and their level of familiarity with local geology.

Competitive landscape, market outlook and entry barriers of the TBM Disc Cutter industry in Indonesia

From 2011 to 2015, the value of Indonesia's construction industry increased from approximately IDR683 trillion to approximately IDR882 trillion, at a CAGR of approximately 6.6%. In the period from 2016 to 2020, the value of Indonesia's construction industry is forecast to increase at a CAGR of approximately 11.4%, from approximately IDR1,392 trillion in 2016 to approximately IDR2,140 trillion in 2020. The growth in the construction industry in Indonesia is fueled by the current Indonesian government's infrastructure plans and an improving regulatory environment that may encourage greater investment and sector participation.

In early 2016, the Indonesian government launched a number of priority infrastructure projects nationally to support economic development, of which the Jakarta Mass Rapid Transit (the "**Jakarta MRT**") and Jakarta-Bandung High Speed Rail involve tunnel works. In addition, the Jakarta local government is also in the planning phase to build the Jakarta Integrated Tunnel.

As of March 2017, the only on-going tunnel works project using TBMs in Indonesia is the Jakarta MRT project. The TBMs used for the Jakarta MRT project were supplied by a Japanese TBM manufacturer. On this basis, the only active TBM Disc Cutter supplier in Indonesia is the Japanese TBM manufacturer. The Japanese TBM manufacturer does not manufacture its own cutting tools and parts, instead sourcing cutting tools and parts from specialist suppliers.

INDUSTRY OVERVIEW

The market entry barriers to the TBM Disc Cutter supply industry in Indonesia include the privilege of suppliers from the project financiers' country over local suppliers as the financing for major infrastructure project are from other foreign countries, high bureaucracy and issues and/or disputes with regards to land acquisition causing delays in the implementation of infrastructure projects as well as the new entrants' lack of a proven track record and their level of familiarity with local geology.

Competitive landscape and market information of the foundation industry in Hong Kong

From 2010 to 2015, the gross output value of the foundation industry in Hong Kong increased from approximately HK\$9.9 billion to approximately HK\$22.6 billion, which was attributable to the Ten Major Infrastructure Projects and the Public Housing Development Program. The gross output value forecast of the foundation industry from 2016 to 2020 is positive, mainly attributable to (i) public infrastructure projects including the expansion of the railway network; and (ii) residential and commercial building works as demand for these buildings are expected to increase due to growing population.

In 2015, the top five market participants accounted for approximately 48.2% of the total foundation contracting industry revenue. Compared to the foundation contracting industry, the foundation subcontracting industry in Hong Kong was less consolidated. There were approximately 313 foundation subcontractors in 2015. With the top five foundation subcontractors accounted for approximately 9.4% of the total revenue of the foundation contracting industry in Hong Kong in 2015. As of December 2015, 46 contractors were on the list of Approved Suppliers of Materials and Specialist Contractors for Public Works – Land Piling, who are currently eligible for supplying the materials used for public foundation works in Hong Kong. Despite that the labour supply for the foundation sector in Hong Kong has been slowly increasing, the construction and foundation industries are facing a labour shortage as a result of the ageing population in Hong Kong and such has contributed towards the increases in monthly wage of workers in the Hong Kong construction industry in the past. The Government has also introduced various measures to increase the labour supply in the foundation section.

LAWS AND REGULATIONS

OVERVIEW

This section sets out summaries of certain aspects of Hong Kong, the PRC and Singapore laws, rules and regulations which are relevant to our operations and business. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group, or which may be important to potential investors. Investors should note that the following summaries are based on laws and regulations in force as of the date of this prospectus, which may be subject to change.

HONG KONG LAWS AND REGULATIONS

Laws and Regulations in relation to Construction Workers, Health and Safety

Construction Workers Registration Ordinance

The Construction Workers Registration Ordinance (Cap. 583) provides for a registration system which requires construction workers to be registered before carrying out construction work on a construction site. There are certain prohibition provisions which specify that designated trades may be carried out only by registered skilled workers for that particular trade. “Construction work” means, *inter alia*, the construction, erection, installation or reconstruction of any specified structure, the addition, renewal, alteration, repair, dismantling or demolition of any specified structure that involves the structure of the specified structure or any other specified structure, and any building operation involved in preparing for any operation above. “Construction site” means a place where construction work is, or is to be, carried out.

No person shall be registered as a registered construction worker unless the Registrar of Construction Workers is satisfied that, *inter alia*, the person has attended the relevant construction work-related safety training courses. Further, the Registrar shall not renew the registration of a person unless the Registrar is satisfied that (i) the person has attended relevant construction work-related safety training course; and (ii) if the registration will, on the date of its expiry, have been in effect for not less than two years, the person has attended and completed, during the period of one year immediately before the date of application for renewal of the registration, such development courses applicable to his registration as the Construction Industry Council may specify.

The Ordinance provides that a person shall not personally carry out construction work on a construction site unless the person is a registered construction worker. Any person who contravenes this requirement commits an offence and is liable on conviction to a fine of HK\$10,000. In addition, any person who employs another person who is not a registered construction worker to personally carry out on a construction site construction work commits an offence and is liable on conviction to a fine of HK\$50,000.

Our staff, which provides repair and maintenance services of construction equipment at construction sites in Hong Kong, are subject to the above requirements.

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Factories and Industrial Undertakings Ordinance

The Factories and Industrial Undertakings Ordinance (Cap. 59) provides for the safety and health protection to workers in industrial undertakings. Under the Ordinance, it is the duty of a proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by it at the industrial undertaking. The duties of a proprietor extend to include, among other things:

- (i) providing and maintaining plant and system of work that are reasonably safe and without risks to health;
- (ii) making arrangements for ensuring, so far as is reasonably practicable, safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;
- (iii) providing, so far as is reasonably practicable, all necessary information, instructions, training and supervision for ensuring safety and health;
- (iv) providing and maintaining, so far as is reasonably practicable, safe and without risks to health access to and egress from the workplaces; and
- (v) providing and maintaining, so far as is reasonably practicable, a safe and without risks to health working environment.

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

The Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Cap. 59J) provide for certain inspection, examination and/or testing duties of an owner of the following appliances prior to use, including:

- (1) in respect of a lifting appliance:
 - (i) thorough examination by a competent examiner at least once in the preceding 12 months, and obtaining a certificate regarding it is in safe working order;
 - (ii) during the preceding 4 years testing and thorough examination by a competent examiner, and obtaining a certificate regarding it is in safe working order; and
 - (iii) further testing and thorough examination by a competent examiner, and obtaining a certificate regarding it is in safe working order if the lifting appliance has undergone substantial repair, re-erection, failure, overturning or collapse since undertaking the testing or examination referred to above;

LAWS AND REGULATIONS

- (2) in respect of a crane testing by a competent examiner after each erection of the crane and after each removal of the crane to a new location before it is taken into use and obtaining a certificate regarding it is in safe working order; and
- (3) in respect of any chain, rope or lifting gear:
 - (i) testing and thorough examination by a competent examiner and obtaining a certificate regarding it is in safe working order; and
 - (ii) during the preceding 6 months, thorough examination by a competent examiner, and obtaining a certificate regarding it is in safe working order.

An owner who contravenes any of these duties commits an offence and is liable to a fine of HK\$200,000.

Our repair and maintenance facilities in Hong Kong are subject to the above requirements.

Occupational Safety and Health Ordinance

The Occupational Safety and Health Ordinance (Cap. 509) provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

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

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

The Commissioner for Labour may also issue an improvement notice against non-compliance of the Occupational Safety and Health Ordinance (Cap. 509) or the Factories and Industrial Undertakings Ordinance (Cap. 59) or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and imprisonment of up to 12 months and HK\$500,000 and imprisonment of up to 12 months respectively.

Laws and Regulations in relation to Import and Export and Sale of Goods

Import and Export (Registration) Regulations

Under regulations 4 and 5 of the IAE Registration Regulations, an importer or exporter of articles (other than exempted articles) shall lodge with the C&E Commissioner an accurate and complete import or export declaration within 14 days after the date of import or export. A declaration charge (which amounts to HK20 cents if the (aggregate) value of the articles does not exceed HK\$46,000; and HK20 cents for the first HK\$46,000 dollars' value and HK12.5 cents for each additional HK\$1,000 dollars' value (or part thereof) if the (aggregate) value exceeds HK\$46,000) is payable for such import or export. In such connection, our Group is obliged to lodge import and export declarations under the IAE Registration Regulations and pay the relevant declaration charges in connection with the import and export of specialized cutting tools and parts, and specialized construction equipment.

Failure to lodge such declaration within the prescribed 14-day period will result in the imposition of an administrative penalty (which ranges from HK\$20 to HK\$200 per incident depending on the time of lodging the declaration and the total value of the articles specified in the declaration) under regulation 7 of the IAE Registration Regulations. In addition, failure or neglect to lodge declaration beyond the prescribed 14-day period without reasonable excuse is an offence and is liable on summary conviction to a fine of HK\$1,000 (plus daily fines of HK\$100) under regulations 4 or 5 of the IAE Registration Regulations.

Where the C&E Commissioner has reason to believe that the (aggregate) value of any articles has been understated in the declaration such that the amount of the declaration charge had been underpaid, he shall assess and demand for payment of the extra charge which would have been payable had the (aggregate) value not been understated, together with penalty (which shall not be more than 20 times of such extra charge and be subject to a maximum penalty amount of HK\$10,000) (Regulation 10 of the IAE Registration Regulations).

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Under regulations 4 or 5 of the IAE Registration Regulations, a person who knowingly or recklessly lodges any declaration that is inaccurate in any material particular commits an offence and is liable on summary conviction to a fine of HK\$10,000. Further, in the event a person is prosecuted and convicted under section 36 of the IAE Ordinance for making or furnishing statement or information which is false or misleading in a material particular, he shall be liable to a fine of HK\$500,000 and to imprisonment for 2 years.

For further information on our non-compliance with the IAE Registration Regulations, please refer to the sub-sections headed “Regulatory Compliance” and “General internal control measures to prevent recurrence of non-compliance incidents” in the section headed “Business” of this prospectus.

Trade Descriptions Ordinance

The Trade Descriptions Ordinance (Cap. 362) prohibits vendors from providing false trade descriptions, false, misleading or incomplete information and false marks and misstatements in respect of goods provided in the course of trade. It is an offence to apply a false trade description to any goods, or supply any goods which a false trade description is applied, or possess for sale, trade or manufacture any goods which a false trade description is applied. False and misleading trade descriptions of products in advertisements are also prohibited. Any person who fails to comply with any of the provisions commits an offence and is liable on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years; and on summary conviction, to a fine at level 6 (i.e. HK\$100,000) and to imprisonment for 2 years.

Sale of Goods Ordinance

The Sale of Goods Ordinance (Cap. 26) provides, inter alia, that where a seller sells goods in the course of a business, there is an implied condition that (i) where the goods are purchased by description, the goods shall correspond with the description; (ii) the goods supplied are of merchantable quality; and (iii) the goods shall be reasonably fit for the purpose for which they are purchased. Otherwise, a buyer has the right to reject the defective goods unless he or she has a reasonable opportunity to examine the goods. A breach of the implied term may give rise to a civil action for breach of contract by the customers.

Tortious Duty under Common Law

Apart from contractual liability, under common law, manufacturers, distributors and retailers of products may also owe a duty of care to buyers and may be liable for damage resulting from defects in goods caused by their negligent acts or for any fraudulent misrepresentation made in the distributing and selling of goods. Where a manufacturer, distributor and retailer knows or reasonably believes that the products may be defective, he may have to cease to supply such goods and to give warning and instructions to persons to whom the products are supplied. Any person who undertakes to design, import or supply a product, and who negligently performs his work and causes damage to another person or property, will also attract civil liability.

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Laws relating to Transfer Pricing

Pursuant to Section 20(2) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**IRO**”), a non-resident person shall be liable to Hong Kong profits tax where it carries on business with a closely connected resident person and such business is so arranged that it produces to the resident person either no profits which arise in or derive from Hong Kong or less than the ordinary profits which might be expected to arise in or derive from Hong Kong.

Section 61A of the IRO stipulates that where it would be concluded that person(s) entered into or carried out transactions for the sole or dominant purpose to obtain a tax benefit (which means the avoidance or postponement of the liability to pay tax or the reduction in the amount thereof), liability to tax of the relevant person(s) will be assessed (a) as if the transaction or any part thereof had not been entered into or carried out; or (b) in such other manner as the supervising authority considers appropriate to counteract the tax benefit which would otherwise be obtained.

The Departmental Interpretation and Practice Notes No. 45 – Relief from Double Taxation due to Transfer Pricing or Profit Reallocation Adjustments issued by the Inland Revenue Department in April 2009 makes it available that where double taxation arises as a result of transfer pricing adjustments made by the tax authorities of another country, a Hong Kong taxpayer may potentially claim relief under the tax treaty between Hong Kong and that country (countries entered into tax arrangements with Hong Kong includes the PRC).

PRC LAWS AND REGULATIONS

PRC Regulatory Overview

1. Laws and Regulations Relating to Foreign Investment

- (1) The establishment and registration of corporate entities in the PRC are governed by such applicable laws in the PRC such as the Company Law of the PRC (《中華人民共和國公司法》) (the “**PRC Company Law**”), which was promulgated on 29 December 1993 and amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, and the Regulations of the PRC on the Administration of Company Registration (《中華人民共和國公司登記管理條例》) (the “**Regulations on Company Registration**”), which was promulgated on 24 June 1994 and amended on 18 December 2005 and 19 February 2014. According to the PRC Company Law and the Regulations on Company Registration, except where laws on foreign investment stipulate otherwise, the PRC Company Law and the Regulations on Company Registration also apply to foreign-invested limited liability companies.
- (2) The establishment, alternation and approval procedures, and the registered capital requirements, foreign exchange, accounting practices, taxation and labour matters of a foreign-invested enterprise are regulated by the Foreign-invested Enterprise Law of the PRC (《中華人民共和國外資企業法》) (the

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“**FIE Law**”), which was promulgated on 12 April 1986 and amended on 31 October 2000, the Implementation Rules to the foreign-invested enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) (the “**Implementation Rules to FIE Law**”), which was promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014, the Execution Opinions on Several Issues concerning Law Application for the Administration on the Examination, Approval and Registration of Foreign-invested Companies (《關於外商投資的公司審批登記管理法律適用若干問題的執行意見》), which was promulgated and came into effect on 24 April 2006 and the Several Provisions on the Changes in Equity Interest of Investors in Foreign Invested Enterprises (《外商投資企業投資者股權變更的若干規定》) which was promulgated and came into effect on 28 May 1997 as well as other applicable laws and regulations in the PRC.

- (3) Investment in the PRC by foreign investors and foreign-owned enterprises (the “**Foreign Party**”) is governed by the Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》) (the “**Provisions**”), which was promulgated on 11 February 2002 and came into effect on 1 April 2002, and the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) (the “**Catalogue**”), which was updated in 1995, 2002, 2004, 2007, 2011 and 2015.

The Provisions and the Catalogue divide foreign investment industries into three categories: the encouraged industry, the restricted industry, and the prohibited industry. Industries listed in the encouraged category are opened to the Foreign Party who usually can further enjoy supportive policies of the local government. Investment in the restricted industries can only be conducted by the Foreign Party within the scope of the relevant regulatory authority’s approval or in the form of Sino-foreign equity or contractual joint ventures (usually with Chinese investors as the majority shareholder required). Prohibited industries are closed to foreign investment. Industries which are not listed in the Catalogue are generally classified as the permitted category. Our subsidiary in the PRC, namely M&L (Shenzhen), is operating in the industry of engineering device distribution, which is a permitted industry as not to be listed in the Catalogue.

- (4) The Ministry of Commerce or the relevant local authorities are responsible for approving the relevant joint venture contracts, articles of association of the foreign invested enterprises and other substantial changes to the foreign-invested enterprises, such as changes in capital, equity transfer and consolidation. Our PRC subsidiary has obtained all the necessary government approvals.

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2. *Laws and Regulations Relating to Importation and Exportation of Goods*

- (1) Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), which was promulgated on 12 May 1994 and amended on 6 April 2004, and the Measures for the Record-keeping and Registration by Foreign Trade Dealers (《對外貿易經營者備案登記辦法》) (the “**Record-keeping and Registration Measures**”), which was promulgated on 25 June 2004 and came into effect on 1 July in the same year, foreign trade dealers who are engaged in the import or export of goods or technologies shall register with the Ministry of Commerce of the PRC (the “**Ministry of Commerce**”) or its authorized bodies unless such registration is not required under the laws and administrative regulations and/or by the. Ministry of Commerce.
- (2) According to the Circular of the Ministry of Commerce on Relevant Issues Concerning the Record Keeping and Registration of the Foreign Trade Right by Foreign-funded Enterprises (《商務部關於外商投資企業外貿權備案登記有關問題的通知》), which was promulgated and came into effect on 17 August 2004, when foreign-funded enterprises apply for the addition of any import/export business to its approved scope of business, they must, in accordance with the Record-keeping and Registration Measures, complete the formalities of business addition to the enterprises’ business licences and shall, in accordance with the relevant procedures, complete the formalities of record-keeping and registration on the strength of the approval certificate for its establishment, business license with the business addition made, and any other document as required under the Record-keeping and Registration Measures.
- (3) Pursuant to the Administrative Provisions for the Registration of Customs Declaration Agents by the PRC Customs Authorities (《中華人民共和國海關報關單位註冊登記管理規定》), which was promulgated on 13 February 2014 and came into effect on the same day, “consignor or consignee of export or import goods” means any legal person, other organization or individual that directly imports or exports goods within the territory of the PRC. Consignors or consignees of import or export goods shall go through registration formalities with their local Customs authorities in accordance with the applicable provisions. After completing the registration formalities with Customs authorities, consignors or consignees of import or export goods may handle their own declarations at any customs port or any locality where customs supervisory affairs are concentrated within the customs territory of the PRC. And a PRC Customs Declaration Registration Certificate for Consignor or Consignee of Import or Export Goods shall be valid for a period of 2 years.
- (4) Pursuant to the Customs Law of the PRC* (中華人民共和國海關法) promulgated by the Standing Committee of the NPC on 22 January 1987 and amended on 8 July 2000, 29 June 2013 and 28 December 2013 and related

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regulations, the declaration of import and export goods maybe made by consignees and consignors themselves, and such formalities may also be completed by their entrusted PRC Customs brokers that have registered with the PRC Customs. The consignees and consignors for import or export goods and the PRC Customs brokers engaged in the PRC Customs declaration shall register with the PRC Customs, and no enterprises or persons can make declarations without registering with the PRC Customs or obtaining the relevant qualifications for declaration in accordance with the law.

- (5) Principal regulations on the inspection of import and export commodities are set out in the Law of the PRC on Import and Export Commodity Inspection* (中華人民共和國進出口商品檢驗法) promulgated by the Standing Committee of the NPC on 21 February 1989 and amended on 28 April 2002 and 29 June 2013 and its implementation rules. According to the aforesaid law and its implementation regulations, the Administration of Quality Supervision, Inspection and Quarantine of the PRC* (中華人民共和國國家質量監督檢驗檢疫總局) (“AQSIQ”) shall be in charge of the inspection of import and export commodities throughout the country. The local inspection and quarantine authorities set up by AQSIQ shall be responsible for the inspection of import and export commodities within areas under their jurisdiction. The import and export commodities that are subject to compulsory inspection listed in the catalogue compiled by the State administration shall be inspected by the commodity inspection authorities, and the consignor shall apply to the inspection and quarantine authorities for inspection in the places and within the time limit specified by AQSIQ. No permission shall be granted for the export of export commodities subject to mandatory inspection by the inspection and quarantine authorities until they have been found to be up to standard through inspection. While the import and export commodities that are not subject to statutory inspection shall be subject to random inspection. Consignees and consignors themselves or its entrusted agent may apply for inspection to the commodity inspection authorities.

3. *Laws and Regulations Relating to Taxation*

(1) *Income tax*

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the “**New Tax Law**”) and its implementation rules, which became effective on 1 January 2008, tax payers are divided into resident enterprise and non-resident enterprise. A resident enterprise refers to an enterprise that is established inside the PRC, or which is established under the law of a foreign country (region) but whose actual institution of management is inside the PRC. A resident enterprise shall pay the enterprise income tax on its incomes derived from both inside and outside the PRC at the rate of 25%. A non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management

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is not inside the PRC but which has offices or establishments inside the PRC; or which does not have any offices or establishments inside the PRC but has income sources in the PRC. A non-resident enterprise having offices or establishments inside the PRC shall pay enterprise income tax on its incomes derived from the PRC as well as on incomes derived from outside the PRC but which has real connection with the said offices or establishments at the rate of 25%. A non-resident enterprise having no office or establishment inside the PRC, or whose incomes have no actual connection to its institution or establishment inside the PRC shall pay enterprise income tax on the incomes derived from the PRC at the rate of 10%.

(2) *Value-added tax*

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (the “**Provisional Regulations on VAT**”) which was promulgated on 13 December 1993 and amended on 5 November 2008 and Detailed Rules for the Implementation of the Interim Regulation of the People’s Republic of China on Value Added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated on 25 December 1993 and amended on 28 October 2011, all entities or individuals in the PRC engaging in the sale of goods, provision of processing services, repairs and replacement services and the importation of goods are required to pay value-added tax (“**VAT**”). VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is usually 17%, and in certain limited circumstances is 13%, subject to the products involved.

According to the Decisions of the Standing Committee of the National People’s Congress on the Application of Provisional Regulations on Tax such as VAT, Consumption Tax and Business Tax to Foreign-invested Enterprises and Foreign Enterprises. (《全國人民代表大會常務委員會關於外商投資企業和外國企業適用增值稅、消費稅、營業稅等稅收暫行條例的決定》), which was promulgated and came into effect on 29 December 1993, foreign-invested enterprises whose products are exported directly or through export enterprises shall be granted, in accordance with the Provisional Regulations on VAT, a one-off VAT rebate on the strength of the export declaration and VAT-paid certificate.

(3) *Customs Duties*

Import and export business of foreign-invested enterprises are governed by the Regulations on Import and Export Duties of the PRC (《中華人民共和國進出口關稅條例》), which was promulgated and came into effect on 29 October 2003, the Circular of General Administration of Customs on relevant Import Tax Policies for Further Encouraging Foreign Investment (《海關總署關於進一步鼓勵外商投資有關進口稅收政策的通知》), which was promulgated and came into effect on 1 September 1999, the Circular of the Ministry of Foreign Trade and Economic Cooperation on relevant issues concerning the import of equipments by foreign-invested enterprise (《對外貿易經濟合作部關於外商投資企

業進口設備有關問題的通知》), which was promulgated and came into effect on 8 November 2000, and other applicable laws and regulations. According to such provisions, foreign-invested enterprises, when satisfying certain conditions, may be exempted from import duties and taxes for import of equipments, technologies and accessories.

(4) Transfer Pricing

Pursuant to the New Tax Law, its implementation rules and the Implementation Regulations for Special Tax Adjustments (Trial) (《特別納稅調整實施辦法(試行)》) (the “**STA Rules**”), transactions in respect of the purchase, sale and transfer of products between, amongst others, enterprises under direct or indirect control by the same third party are regarded as related party transactions. According to the New Tax Law, its implementation rules and STA Rules, related party transactions should comply with the arm’s length principle and if the related party transactions fail to comply with the arm’s length principle results in the reduction of the enterprise’s taxable income, the tax authority has the power to make an adjustment following certain procedures. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form to the supervising tax authority, but enterprises which meet one of the following standards are exempt from preparing further contemporaneous documents report: (1) the annual amount of related party purchase/sales is lower than RMB200 million and the annual amount of other related party transactions is lower than RMB40 million; (2) related party transactions are involved in the performance of arrangements for advance pricing; or (3) foreign shareholding percentage is lower than 50% and the related party transactions only incur among domestic associated parties. However, according to the Notice of the State Administration of Taxation on Strengthening the Monitoring and Investigation of Transnational Affiliated Transactions (Letter NO. 363[2009] of the SAT) (《國家稅務總局關於強化跨境關聯交易監控和調查的通知》), if a PRC enterprise, which is established by a foreign entity and undertakes the mere function of production (processing with supplied or imported materials), distribution, contractual research and development or any other limited function and bears the risks relating thereto, encounters a loss, then no matter such PRC enterprise meets related party transaction thresholds mentioned above or not, it would need to prepare the relevant information and file the same with the relevant tax authority before 20 June of the subsequent year. Except as otherwise stipulated by the STA Rules, enterprises should complete the preparation of contemporaneous documents for the current year before 31 May of the following year and submit the documents within 20 days upon request from tax authorities.

4. Laws and Regulations Relating to Foreign Exchange

(1) Foreign currency exchange

The principal regulation governing foreign currency exchange in the PRC is the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Administration Rules**”), which was

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promulgated on 1 January 1996 and amended on 14 January 1997 and 1 August 2008. Under these rules, the Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfers, direct investment, investment in securities, derivative products or loans, unless prior approval of the SAFE or of its branches was obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of the foreign exchange administrative authority for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and approval or filing with the relevant governmental authorities (if necessary).

(2) Dividend distribution

The principal regulations governing distribution of dividends paid by PRC enterprise include (i) the PRC Company Law; (ii) the FIE Law; (iii) the Implementation Rules to FIE Law; (iv) the Law of PRC on Sino-Foreign Equity Joint Ventures and the Rules for Implementation of the Law of PRC on Sino-Foreign Equity Joint Ventures. Under the above laws and regulations, domestic companies and foreign-owned enterprises in the PRC may pay dividends only from accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, such enterprises are required to set aside at least 10% of their after-tax profits each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends. Under the relevant PRC laws, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends.

The PRC and the government of Hong Kong signed the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Arrangement**”) on 21 August 2006. According to the Arrangement, no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company. The Notice on Issues relating to the Implementation of the Dividend Provision in Tax Treaties* (《關於執行稅收協定股息條款有關問題的通知》) (the

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“**Notice 81**”) was promulgated on 20 February 2009 by the State Administration of Taxation of the PRC (中國國家稅務總局) (“**SAT**”). The Notice 81 reaffirms the qualification for dividend recipient to enjoy tax preferential of being levied at 5% rate as following: (i) the recipient of the dividend must be a corporation; (ii) the recipient’s ownership in the Chinese company must meet the prescribed direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends; and (iii) the deal or arrangement is not mainly for the purpose of obtaining the tax preferential.

5. *Laws and Regulations Relating to Market Competition and Product Quality*

- (1) Competitions among the business operators in the PRC are generally governed by the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the “**Anti-Unfair Competition Law**”), which was promulgated on 2 September 1993 and came into effect on 1 December 1993.

According to the Anti-Unfair Competition Law, corporations, other economic organizations and individuals who are engaging in the trading of goods or profit-making services shall abide by the principles of voluntariness, equality, fairness, honesty and credibility, and observe generally recognized business ethics. Operators shall not conduct acts that damage the lawful rights and interests of other operators or that disturb the socio-economic order. Such acts include, but do not limit to counterfeit, libel, malicious exclusion, commercial bribery and secret infringement.

- (2) Product quality supervision in the PRC is generally governed by the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”), which was promulgated on 22 February 1993 and amended on 8 July 2000. Producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

Under the Product Quality Law, consumers or other victims who suffer personal injury or property damage due to product defects may claim compensation from the producer as well as the seller. The producer and the seller shall be jointly liable for the compensation. In case of violations of the Product Quality Law, the responsible authorities have the right to impose fines on the violators, order them to suspend operation, and revoke their business licenses. In serious cases, even criminal liability may be incurred.

6. *Laws and Regulations Relating to Labour and Social Insurance*

- (1) According to the Labour Law of the PRC (《中華人民共和國勞動法》) (the “**PRC Labour Law**”) which was promulgated on 5 July 1994 amended on 27 August 2009 and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “**PRC Labour Contract Law**”) which was promulgated on

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29 June 2007, came into effect on 1 January 2008 and amended on 28 December 2012, to establish a labour relationship, a written labour contract should be concluded. The wages paid by the employer to the employee shall not be less than the minimum wage rate in the place where the employer is located. In certain circumstances, financial compensation shall be paid to the employee if the employer terminates its employment relationship with the employee. The employer shall provide relevant education and training to the employee; Employers are also required to provide healthy and safety working conditions in conformity with the relevant national rules and standards and provide regular healthy checks for the employees who are engaged in hazardous work.

- (2) According to the PRC Labour Law, the PRC Labour Contract Law, the Provisional Regulations on Collection and Payment of Social Insurance Premium (《社會保險費徵繳暫行條例》) which was promulgated and came into effect on 22 January 1999, the Interim Measures on the Administration of Registration of Social Insurance (《社會保險登記管理暫行辦法》) which was promulgated and came into effect on 19 March 1999, and the Regulations on Labour Security Supervision (《勞動保障監察條例》) which was promulgated on 1 November 2004 and came into effect on 1 December 2004, employers shall pay social insurance for employees as prescribed by laws. The Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was effective from 1 July 2011 specified the payment of the pension insurance, work-related injury insurance, unemployment insurance, medical insurance and the maternity insurance in detail.

Pursuant to the Decision of the State Council on Establishing a Unified System of the Basic Pension Insurance for Enterprise Employees (《國務院關於建立統一的企業職工基本養老保險制度的決定》) which was promulgated and came into effect on 16 July 1997, the Circular on Relevant Issues concerning the Improvement of the Basic Pension Insurance Policy for Urban Employees (《關於完善城鎮職工基本養老保險政策有關問題的通知》) which was promulgated and came into effect on 22 December 2001, the Regulations on Work-Related Injury Insurance (《工傷保險條例》) which was promulgated on 27 April 2003 and amended on 20 December 2010, the Regulations on Unemployment Insurance (《失業保險條例》) which was promulgated and came into effect on 22 January 1999, the Circular on the Issuance of Provisions on the Administration of Basic Medical Insurance for Urban Employees (《關於印發城鎮職工基本醫療保險業務管理規定的通知》) which was promulgated and came into effect on 5 January 2000, the Trial Measures on Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》) which was promulgated on 14 December 1994 and came into effect on 1 January 1995 and related regulations, employers are required to pay pension insurance, work-related injury insurance, unemployment insurance, medical insurance as well as maternity insurance for employees.

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In addition to the above, the regulatory authorities of government at the provincial, municipality and district level have also issued relevant policies from time to time for regulation.

- (3) The Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), which was promulgated on 3 April 1994 and amended on 24 March 2002, requires enterprises to register with the relevant housing provident fund management centre within 30 days from the date of establishment, open housing provident fund accounts with the designated bank and pay and deposit housing provident fund for employees with the rate not less than five percent of the average monthly salary of the employee concerned in the previous year.

The regulatory authorities of government at the provincial, municipality and district level have also issued relevant policies from time to time to regulate the payment for housing provident fund.

- (4) Pursuant to Administrative Provisions on the Employment of Taiwan, Hong Kong and Macao Residents in the Mainland of China (《台灣香港澳門居民在內地就業管理規定》) which was promulgated on 14 June 2005 and effective on 1 October 2005, the company should sign labour contracts and apply for the Employment Permits for Persons from Taiwan, Hong Kong or Macao. Also, the company shall pay the social insurance premiums in light of the Interim Regulations on the Collection and Payment of Social Insurance Premiums for the employees from Taiwan, Hong Kong or Macao.

7. *Laws and Regulations Relating to Health and Safety*

- (1) According to the PRC Labour Law and the PRC Labour Contract Law, the employers must establish and perfect the system of occupational safety and health, strictly implement the rules and standards of the State with regard to occupational safety and health, carry out education among employees in occupational safety and health, prevent accidents in the process of work, and lessen occupational hazards. Facilities of occupational safety and health must meet the standards set by the State. The employers must provide employees with occupational safety and health conditions conforming to the provisions of the State and necessary articles of labour protection. Employees have the right to criticize, report to the authorities or lodge accusations against their employers in respect of working conditions that endanger their lives or health.
- (2) According to the Law of the PRC on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》) which was promulgated and came into effect on 31 December 2011, the employers shall create the working environment and conditions conforming to the national standards for occupational health and requirements, and shall take measures to ensure that the labourers receive occupational health protection. The employers

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shall take the following management measures for the prevention and treatment of occupational diseases: (1) Setting up or appointing a regulatory agency or organization for occupational health, equipping with full-time or part-time occupational health management personnel to be responsible for the prevention and treatment of occupational diseases of their own units; (2) Preparing programs for the prevention and treatment of occupational diseases and their implementation plans; (3) Establishing and improving the management system and operative regulations for occupational health; (4) Filing and improving the archives of occupational diseases and custodian archives for labourers' health; (5) Establishing and improving the monitoring and evaluation system for hazard factors of occupational diseases existing in the workplaces; and (6) Preparing and improving the preliminary plans for emergency rescue in accidents caused by occupational diseases.

8. *Laws and Regulations Relating to Intellectual Property*

Both the PRC Trademark Law (《中華人民共和國商標法》) which was promulgated in 1982 and amended in 1993, 2001 and 2013, and the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) which was promulgated by the State Council of the PRC in 2002 give protection to the holders of registered trademarks. The Trademark Office under the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局商標局) handles trademark registrations and grants a term of ten years to registered trademarks, renewable every ten years. Trademark license agreements must be filed with the Trademark Office or its regional counterparts.

9. *Approval of the Reorganisation and Proposed Listings*

On 8 August 2006, six PRC governmental and regulatory agencies, including MOFCOM and the CSRC, promulgated the M&A Rules, a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and amended on 22 June 2009. According to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

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According to the Guiding Book on the Access Administration of Foreign Investment* (《外商投資准入管理指引手冊》) (The 2008 Version), which was promulgated by Foreign Investment Department of the Ministry of Commerce* (商務部外資司) on 18 December 2008, M&A Rules does not apply to the merger and equity transfer of an established foreign-invested enterprise.

The M&A Rules does not apply to the Reorganisation of our Group as none of the shareholders of our Company is a PRC resident. The acquisitions were happened among overseas enterprises and none domestic enterprises involved in the Reorganisation.

10. Overseas Investment by Domestic Residents

The SAFE Circular No. 37, which was promulgated and effective on 4 July 2014, replaces the SAFE Circular No. 75. According to SAFE Circular No. 37, prior to making contribution to a Special-Purpose Company (“SPC”) with legitimate holdings of domestic or overseas assets or interests, a Mainland resident shall apply to the relevant Foreign Exchange Bureau for foreign exchange registration of overseas investment. Mainland resident individuals shall refer to Chinese citizens holding the identity cards for Mainland residents, military identity documents or identity documents for Chinese armed police force, and overseas individuals who do not hold any Mainland legal identity document, but who have habitual residences within the territory of China due to relationship of economic interests. After a SPC has completed overseas financing, if the funds raised are repatriated to the Mainland for use, relevant Chinese provisions on foreign investment and external debt management shall be complied with.

Under the relevant rules, failure to comply with the registration procedures set forth in SAFE Circular No. 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject the relevant domestic resident to penalties under PRC foreign exchange administration regulations.

No. 37 does not apply to the shareholders of our Company as they are not PRC residents. The shareholders are not required to file with the foreign exchange registration under No. 37.

SINGAPORE LAWS AND REGULATIONS

Description of applicable laws and regulations in Singapore

Workplace safety and health safety measures

Under the Workplace Safety and Health Act, Chapter 354A of Singapore (“WSHA”), every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining for the employees a work environment which is safe,

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without risk to health, and adequate as regards facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while the employees are at work and ensuring that the employees at work have adequate instruction, information, training and supervision as is necessary for them to perform their work.

More specific duties imposed by the relevant regulatory body, the Ministry of Manpower (“**MOM**”) on employers are laid out in the Workplace Safety and Health (General Provisions) Regulations (“**WSHR**”).

Pursuant to the WSHR, the following equipment are required to, amongst others, be tested and examined by an authorised examiner (“**Authorised Examiner**”) before they can be used and thereafter, at specified intervals:

- hoists or lifts;
- lifting gears; and
- lifting appliances and lifting machines.

Upon examination, the Authorised Examiner will issue and sign a certificate of test and examination, specifying the safe working load of the equipment. Such certificate of test and examination shall be kept available for inspection. Under the WSHR, it is the duty of the occupier of a workspace in which the equipment is used to comply with the foregoing provisions of the WSHR, and to keep a register containing the requisite particulars with respect to the lifting gears, lifting appliances and lifting machines.

For hoists and lifts not powered with mechanical power, a thorough examination of the hoist or lift shall be carried out at least once every year by an Authorised Examiner. For other hoists and lifts used in a workplace, they shall be thoroughly examined by an Authorised Examiner at least once every 6 months or at such other intervals as the Commissioner for Workplace Safety and Health (“**CWSH**”) may determine.

In addition to the above, under the WSHA, inspectors appointed by the CWSH may, among others, enter, inspect and examine any workplace, inspect and examine any machinery, equipment, plant, installation or article at any workplace, make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with, take samples of any material or substance found in a workplace or being discharged from any workplace for the purpose of analysis or test, assess the levels of noise, illumination, heat or harmful or hazardous substances in any workplace and the exposure levels of persons at work therein and require any person to produce any article which is relevant to any investigation or inquiry under the WSHA and to take into custody any such article.

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Any person who breaches his duty under the WSHA shall be guilty of an offence and shall be liable on conviction, in the case of a body corporate, to a fine not exceeding S\$500,000 and if the contravention continues after the conviction, the body corporate shall be guilty of a further offence and shall be liable to a fine not exceeding S\$5,000 for every day or part thereof during which the offence continues after conviction. For repeat offenders, where a body corporate has on at least one previous occasion been convicted of an offence under the WSHA that causes the death of any person and is subsequently convicted of the same offence that causes the death of another person, the court may, punish the body corporate with a fine not exceeding S\$1 million and, in the case of a continuing offence, with a further fine not exceeding S\$5,000 for every day or part thereof during which the offence continues after conviction.

Under the WSHA, the CWSH may serve a remedial order or a stop-work order in respect of a workplace if he is satisfied that (i) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any work or process carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work; (ii) any person has contravened any duty imposed by the WSHA; or (iii) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of the persons at work. The remedial order shall direct the person served with the order to take such measures, to the satisfaction of the CWSH, to, amongst others, remedy any danger so as to enable the work or process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work and specify the date on which any step required by the order shall be taken, whilst the stop-work order shall direct the person served with the order to immediately cease to carry on any work or process indefinitely or until such measures as are required by the CWSH have been taken, to the satisfaction of the CWSH, to remedy any danger so as to enable the work or process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

The Workplace Safety and Health Council has approved codes of practice for the purpose of providing practical guidance with respect to the requirements of the WSHA relating to safety, health and welfare at the workplace.

Pursuant to the Workplace Safety and Health (Risk Management) Regulations 2006, the employer in a workplace is supposed to, amongst others, conduct a risk assessment in relation to the safety and health risks posed to any person who may be affected by his undertaking in the workplace, take all reasonably practicable steps to eliminate or minimise any foreseeable risk, and where it is not reasonably practicable to eliminate the risk, implement measures and safe work procedures to control the risk, specify the roles and responsibilities of persons involved in the implementation of any measure or safe work procedure and to inform workers of the same, maintain records of such risk assessments and measures or safe work procedure implemented for a period of not less than 3 years, and submit such records to the CWSH when required by the CWSH from time to time.

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Work Injury Compensation Act

Work injury compensation is governed by the Work Injury Compensation Act, Chapter 354 of Singapore (“WICA”), and is administered by the MOM. The WICA applies to employees (who are engaged under a contract of service or apprenticeship) in respect of injury suffered by them in the course of their employment and sets out, amongst others, the amount of compensation that they are entitled to and the method(s) of calculating such compensation.

The WICA provides that if an employee dies or sustains injuries in a work-related accident or contracted occupational diseases in the course of the employment, the employer shall be liable to pay compensation in accordance with the provisions of the WICA. An injured employee is entitled to claim medical leave wages, medical expenses and lump sum compensation for permanent incapacity or death, subject to certain limits stipulated in the WICA.

Further, the WICA provides that, amongst others, where any person (referred to as the principal) in the course of or for the purpose of his trade or business contracts with any other person (referred to as the employer) for the execution by the employer of the whole or any part of any work undertaken by the principal, the principal shall be liable to pay to any employee employed (by the employer) in the execution of the work any compensation which he would have been liable to pay if that employee had been immediately employed by the principal.

Employers are required to maintain work injury compensation insurance for two categories of employees engaged under contracts of service, unless exempted. The first category includes all employees doing manual work. The second category includes all non-manual employees earning S\$1,600 or less a month. An employer who breaches the above provisions shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 12 months or to both.

Company laws and regulations

M&L (Singapore), which is an indirect wholly-owned subsidiary of our Company, is a private company limited by shares, incorporated and governed under the provisions of the Companies Act, Chapter 50 of Singapore (the “Companies Act”) and its regulations.

The Companies Act generally governs, amongst others, matters relating to the status, power and capacity of a company, shares and share capital of a company (including issuances of new shares (including preference shares), treasury shares, share buybacks, redemption, share capital reduction, declaration of dividends, financial assistance, directors and officers and shareholders of a company (including meetings and proceedings of directors and shareholders, dealings between such persons and the company), protection of minority shareholders’ rights, accounts, arrangements, reconstructions and amalgamations, winding up and dissolution.

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In addition, members of a company are subject to, and bound by the provisions of the constitution of the company. The constitution of a company contains, inter alia, provisions relating to some of the matters in the foregoing paragraph, transfers of shares as well as sets out the rights and privileges attached to the different classes of shares of the company (if applicable).

Income tax

Corporate taxpayers (whether Singapore tax resident or non-Singapore tax resident) are generally subject to Singapore income tax on all Singapore source income, and on foreign source income received or deemed received in Singapore (unless specified conditions for exemption are satisfied). Foreign income in the form of dividends, branch profits and service fee income received or deemed received in Singapore by a Singapore tax resident corporate taxpayer may however be exempt from Singapore tax if specific conditions are met.

The prevailing corporate income tax rate is 17.0% with partial tax exemption for normal chargeable income of up to S\$300,000 as follows:

- (i) 75.0% exemption of up to the first S\$10,000; and
- (ii) 50.0% exemption of up to the next S\$290,000.

If a newly incorporated Singapore tax resident company (whose principal activity is not that of investment holding or that of developing properties for sale, investment, or both) is not limited by guarantee, its total share capital is beneficially held directly by no more than 20 individual shareholders throughout the basis period for that year of assessment and at least one individual is holding at least 10.0% of the total number of issued ordinary shares throughout the basis period for that year of assessment, then the following exemptions for normal chargeable income will apply for the first three (3) years of assessment:

- (i) 100.0% exemption of up to the first S\$100,000; and
- (ii) 50.0% exemption of up to the next S\$200,000.

A company is regarded as a tax resident in Singapore for a year of assessment if its business is exercised in Singapore.

Dividend distributions

Dividends paid by a Singapore tax resident company would be considered as sourced from Singapore. Dividends received from a Singapore tax resident company by either Singapore tax resident or non-Singapore tax resident shareholders are not subject to Singapore withholding tax.

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Under the one-tier corporate tax system in Singapore, the tax paid by a Singapore tax resident company is a final tax and the after-tax profits of the company can be distributed to its shareholders as tax exempt (one-tier) dividends.

As M&L (Singapore) is a Singapore tax resident company, the dividends distributed by M&L (Singapore) will be tax exempt (one-tier) dividends. The dividends will be exempt from Singapore income tax in the hands of shareholders of M&L (Singapore), regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

Withholding tax

Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders.

Goods and services tax (“GST”)

GST is a consumption tax levied on the importation of goods, as well as most supplies of goods and services in Singapore. GST on importation is collected by the Singapore Customs while GST on local supplies of goods and services is collected by GST-registered persons. The prevailing standard GST rate is 7.0%. Certain supplies are exempt from GST. Broadly, these include sales and leases of residential properties and the provision of certain financial services. Export of goods and provision of international services are generally zero-rated (i.e. subject to GST at 0.0%).

Transfer pricing related regulations

All inter-company transactions involving Singaporean taxpayers are governed by the arm’s length standard. Section 34D in the Singapore Income Tax Act, Chapter 134 of Singapore (“SITA”) specifically stipulates the use of the arm’s length principle for the related party transactions. Other than Section 34D, there are other provisions in the SITA which may be used in a transfer pricing context to effectively allow Inland Revenue Authority of Singapore (“IRAS”) to challenge and revise inter-company transactions.

Anti-avoidance

Section 33 of the SITA contains general anti-avoidance rules that allow the IRAS to disregard or revise any arrangement in order to counteract any tax advantage obtainable under an existing arrangement. The rules are applicable to any scheme, agreement or transaction as a whole, as well as the component steps by which the arrangement was carried into effect. The anti-avoidance rules do not apply if the arrangement was conducted for bona fide commercial reasons and the reduction or avoidance of tax was not one of its main purposes.

Related party transactions

Section 53(2A) of the SITA is applicable where a resident and a non-resident are closely connected and conduct business in such a way that produces profits to the resident that are less than would normally be expected to arise in such transactions. In such a case,

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IRAS may assess and charge the non-resident to tax in the name of the resident, as if the resident were an agent of the non-resident. Where the “true” amount of the profit is not readily ascertainable, the IRAS has the power to assess tax on a “fair and reasonable” percentage of the turnover of the business done between the resident and the non-resident.

IRAS also has the power, pursuant to Section 72(2)(b) of the SITA, to simply refuse to accept a tax return as filed and assess tax on a determination of chargeable income made according to the best of his judgment.

HISTORY AND CORPORATE STRUCTURE

GENERAL

Our Company was incorporated on 24 September 2015 in the Cayman Islands and, as part of the Reorganisation, became the holding company of our Group with our business being conducted through our principal operating subsidiaries, namely M&L, East Focus, M&L (Shenzhen) and M&L (Singapore).

OUR ORIGIN AND HISTORY

Our history can be traced back to 1994, when Mr. Ng invited two Independent Third Parties to found M&L with him. Prior to setting up M&L, Mr. Ng had acquired practical experience in the foundation and tunnelling industries. Further details of Mr. Ng's experience and qualifications are set out in the section headed "Directors and Senior Management" in this prospectus. After participating in various share transfers and allotments, Mr. Ng's shareholding in M&L increased to approximately 76.67% in 2001 and 92% in 2013.

At the time of setting up of M&L, the principal activities of M&L consisted primarily of the supply of specialised cutting tools and parts for foundation construction equipment. Over the years, our businesses expanded into the supply of specialised construction equipment in 1996, specialised Disc Cutters, tools and parts for TBMs and micro-tunnelling equipment in 1998, fabricated construction steel works and equipment in 1999. We have also established or acquired other subsidiaries, and expanded our business operations in the PRC and Singapore.

For further details of the corporate history of our subsidiaries, please refer to the paragraph headed "Our Subsidiaries" below.

OUR BUSINESS MILESTONES

Approximate time	Milestones
1994	M&L was incorporated in Hong Kong in June and commenced to engage in the business of supply of specialised cutting tools and parts for foundation construction equipment in about July 1994.
February 1996	We commenced our business of supply of specialised construction equipment.
September 1998	We commenced our business of supply of specialised Disc Cutters, tools and parts for TBMs and micro-tunnelling equipment.
October 1999	We commenced our business of supply of fabricated construction steel works and equipment.
May 2000	We commenced our business of leasing of specialised construction equipment.

HISTORY AND CORPORATE STRUCTURE

Approximate time	Milestones
November 2001	M&L became majority owned by Mr. Ng.
March 2009	M&L (Singapore) was incorporated in Singapore to expand our tunnelling business in the Singapore market.
July 2009	M&L (Shenzhen) was established in Shenzhen, the PRC to expand our tunnelling business in the PRC market.

OUR SUBSIDIARIES

As of the Latest Practicable Date, we had either established or acquired eight subsidiaries, including (i) intermediary holding companies incorporated in the BVI, namely, BVI (1), BVI (2) and BVI (3) and in Hong Kong, namely, M&L China; and (ii) operating subsidiaries incorporated in Hong Kong, namely, M&L and East Focus, in the PRC, namely, M&L (Shenzhen), and in Singapore, namely, M&L (Singapore).

Our BVI Subsidiaries

For details of the history and development of our BVI subsidiaries, please refer to the paragraph headed “Reorganisation – C. Incorporation of BVI holding companies” in this section.

Our Hong Kong Subsidiaries

M&L

M&L is our indirect non-wholly owned subsidiary and principally engages in (i) the supply of specialised cutting tools and parts for construction equipment; (ii) the supply of fabricated construction steel works and equipment; (iii) the supply of specialised construction equipment; and (iv) the provision of ancillary services which include leasing of specialised construction equipment, and repair and maintenance services.

M&L was incorporated in Hong Kong on 2 June 1994 as a limited private company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. As of the date of incorporation, one share was allotted and issued to and fully paid up by each of the two initial subscribers, who were Independent Third Parties, at par. In August 1994, (i) M&L increased its authorised share capital to HK\$1,000,000 divided into 1,000,000 shares of HK\$1 each; (ii) Mr. Chan Leung Choi (“**Mr. Chan**”) acquired one share from an initial subscriber at par, and Mr. Ng acquired one share from the other initial subscriber at par; and (iii) M&L allotted and issued to Mr. Chan, Mr. Ng and Genghiskhan 149,999 shares, 149,999 shares and 700,000 shares respectively at par. After such allotment and the above transfers, M&L was owned as to 15% by Mr. Chan, 15% by Mr. Ng and 70% by Genghiskhan respectively. Both Mr. Chan and Genghiskhan were Independent Third Parties.

HISTORY AND CORPORATE STRUCTURE

In December 1994, by reason of their own investment decisions, Mr. Chan acquired the then 15% interest (being 150,000 shares) from Mr. Ng. In November 1997, by reason of their own investment decisions, Mr. Ng acquired the then 30% interest (being 300,000 shares) from Mr. Chan at par. After the above transfers, M&L was owned as to 30% by Mr. Ng and 70% by Genghiskhan respectively.

In about April 1998, Genghiskhan was struck off of the BVI Register of Companies for its failure to pay its annual licence fees, and had been dissolved in April 2008 after remaining struck off continuously for a period of 10 years.

In October 2001, with a view to creating a sufficient quorum of two shareholders present for holding general meetings of M&L, Mr. Ng transferred 1 share to Mr. Timothy Ng at par.

In view of a need of capital for the business of M&L after the struck off of Genghiskhan, in November 2001, (i) M&L increased its authorised share capital from HK\$1,000,000 to HK\$3,000,000 divided into 3,000,000 shares of HK\$1 each; and (ii) M&L purportedly allotted and issued 2,000,000 shares at par to Mr. Ng (“**2001 Allotment**”). Based on the opinion of our Hong Kong legal counsel, Mr. Richard Leung, the 2001 Allotment was not legal and valid, as prior approval of M&L through a general meeting of M&L had not been obtained. In order to rectify the irregularity, M&L convened and held an extraordinary general meeting on 12 September 2015, at which a resolution was passed confirming/ratifying the validity of the 2001 Allotment (“**2015 Resolution**”). Our Hong Kong legal counsel, Mr. Richard Leung, was of the opinion that with the 2015 Resolution, the 2001 Allotment was legal and valid with retrospective effect from November 2001 as it had been properly ratified. Our Hong Kong legal counsel, Mr. Richard Leung, was of the further opinion that since the 2001 Allotment happened 16 years ago, any action to be commenced by Genghiskhan based on tort, contract or other actions such as seeking for an account regarding the 2001 Allotment would be time-barred, subject to certain powers of the court if it considers M&L’s affairs are being conducted or have been conducted in a manner unfairly prejudicial to Genghiskhan. Upon completion of the allotment (as confirmed/ratified by the 2015 Resolution), M&L was owned as to approximately 76.67% by Mr. Ng, approximately 23.33% by Genghiskhan and less than 0.0001% by Mr. Timothy Ng respectively according to its register of members.

With a view to providing further capital for M&L, in May 2011, (i) M&L increased its authorised share capital from HK\$3,000,000 to HK\$9,000,000 divided into 9,000,000 shares of HK\$1 each; and (ii) M&L allotted and issued to Mr. Ng and Mr. Timothy Ng 5,500,001 shares and 499,999 shares respectively at par (“**2011 Allotment**”). Based on the opinion of our Hong Kong legal counsel, Mr. Richard Leung, the 2011 Allotment was legal and valid. Upon completion of the 2011 Allotment, M&L was owned as to approximately 86.67% by Mr. Ng, approximately 7.78% by Genghiskhan and approximately 5.56% by Mr. Timothy Ng respectively according to its register of members.

HISTORY AND CORPORATE STRUCTURE

With a view to providing further capital for M&L, in September 2013, (i) M&L increased its authorised share capital from HK\$9,000,000 to HK\$15,000,000 divided into 15,000,000 shares of HK\$1 each; and (ii) M&L allotted and issued to Mr. Ng 6,000,000 shares at par (“**2013 Allotment**”). Based on the opinion of our Hong Kong legal counsel, Mr. Richard Leung, the 2013 Allotment was legal and valid. Upon completion of the 2013 Allotment, M&L was owned as to 92% by Mr. Ng, approximately 4.67% by Genghiskhan and approximately 3.33% by Mr. Timothy Ng respectively according to its register of members.

Based on the above opinions of our Hong Kong legal counsel, Mr. Richard Leung, in relation to the 2001 Allotment, the 2011 Allotment and the 2013 Allotment, our Directors are of the view that (i) in the unlikely event that Genghiskhan or its shareholder(s) were to raise proceedings on the validity of the 2001 Allotment (“**Proceedings**”), the likelihood of success would be very low and remote; and (ii) in the very low and remote but assuming the worst case scenario that Genghiskhan or its shareholder(s) were to succeed in the Proceedings and the 2001 Allotment were declared illegal and invalid, after completion of the 2011 Allotment and the 2013 Allotment, M&L would have been owned as to approximately 90.77% (instead of 92%) by Mr. Ng, approximately 5.38% (instead of 4.67%) by Genghiskhan and approximately 3.85% (instead of 3.33%) by Mr. Timothy Ng respectively. And upon completion of the Reorganisation as set out below, M&L would have been owned as to approximately 94.62% (instead of 95.33%) by us and approximately 5.38% (instead of 4.67%) by Genghiskhan. The Sponsor, after considering the above, concurs with our Directors’ view.

In January 2016, as part of the Reorganisation, BVI (1) acquired the 95.33% issued share capital of M&L from Mr. Ng and Mr. Timothy Ng. Upon completion, M&L became owned as to approximately 95.33% by BVI (1) and approximately 4.67% by Genghiskhan according to its register of members. For further details, please refer to the paragraph headed “Reorganisation – D. Acquisition of M&L (Singapore), East Focus, M&L and M&L China” below.

M&L China

M&L China is our indirect non-wholly owned subsidiary, and was established for holding our investment in the PRC. As of the Latest Practicable Date, M&L China is an investment holding company holding 100% equity interests of M&L (Shenzhen), which was established by M&L China in July 2009. Prior to the establishment of M&L (Shenzhen), M&L China had not engaged in any material business.

M&L China was incorporated in Hong Kong on 20 July 2001 as a limited private company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. As of the date of incorporation, one share was allotted and issued to and fully paid up at par by each of the two initial subscribers, who were Independent Third Parties. In August 2001, (i) Mr. Ng acquired one share from an initial subscriber at par, and Lim Chaw Nam, Millicent (“**Ms. Lim**”), the spouse of Mr. Timothy Ng, acquired one share from the other initial subscriber at par; and (ii) M&L China allotted and issued to Mr. Ng and Ms. Lim 5,999 shares and 3,999 shares respectively at par. Upon completion, M&L China was owned as to 60% by Mr. Ng and 40% by Ms. Lim respectively.

HISTORY AND CORPORATE STRUCTURE

In February 2009, by reason of their own investment decisions, (i) M&L acquired the 60% interest (being 6,000 shares) from Mr. Ng at par, and the 16% interest (being 1,600 shares) from Ms. Lim at par; (ii) Mr. Timothy Ng acquired the 12% interest (being 1,200 shares) from Ms. Lim at par; and (iii) Mr. Cheung acquired the 12% interest (being 1,200 shares) from Ms. Lim at par. Upon completion, M&L China was owned as to 76% by M&L, 12% by Mr. Timothy Ng and 12% by Mr. Cheung respectively.

In January 2016, as part of the Reorganisation, BVI (1) acquired the 24% issued share capital of M&L China from Mr. Timothy Ng and Mr. Cheung. Upon completion, M&L China became owned as to 76% by M&L and 24% by BVI (1). For further details, please refer to the paragraph headed “Reorganisation – D. Acquisition of M&L (Singapore), East Focus, M&L and M&L China” below.

East Focus

East Focus is our indirect wholly owned subsidiary and engages in (i) the supply of specialised cutting tools and parts for construction equipment; (ii) the supply of fabricated construction steel works and equipment; (iii) the supply of specialised construction equipment; and (iv) the provision of ancillary services which include leasing of specialised construction equipment, and repair and maintenance services.

East Focus was incorporated in Hong Kong on 31 October 1997 as a limited private company with an authorised share capital of HK\$100,000 divided into 100,000 shares of HK\$1 each. As of the date of incorporation: (i) one share was allotted and issued to and fully paid up by each of Chan Mei Nui (“**Ms. Chan**”), the mother of Mr. Ng, and Ng Pui Shuen (“**NPS**”), our then employee, the initial subscribers at par; and (ii) East Focus allotted and issued to each of the initial subscribers 49,999 shares at par. Upon completion of the allotment, East Focus was owned as to 50% by each of Ms. Chan and NPS.

In November 1999, by reason of their own investment decisions, (i) Mr. Ng acquired the 20% interest (being 20,000 shares) from Ms. Chan at par, and the 50% interest (being 50,000 shares) from NPS at par; and (ii) Mr. Cheung acquired the 30% interest (being 30,000 shares) from Ms. Chan at par. Prior to the transfer, East Focus had not engaged in any material business. Upon completion, East Focus was owned as to 70% by Mr. Ng and 30% by Mr. Cheung respectively.

In January 2016, as part of the Reorganisation, BVI (3) acquired the entire issued share capital of East Focus from Mr. Ng and Mr. Cheung. Upon completion, East Focus became wholly owned by BVI (3). For further details, please refer to the paragraph headed “Reorganisation – D. Acquisition of M&L (Singapore), East Focus, M&L and M&L China” below.

Our Singapore Subsidiary

M&L (Singapore) is our indirect wholly owned subsidiary and principally engages in (i) the supply of specialised cutting tools and parts for construction equipment; and (ii) the provision of ancillary services which include the repair and maintenance services, in Singapore.

HISTORY AND CORPORATE STRUCTURE

M&L (Singapore) was incorporated in Singapore on 10 March 2009 as a limited private company with an issued and paid up share capital of S\$100 divided into 100 shares of S\$1.00 each. As of the date of incorporation, 75 and 25 shares were allotted and issued to and fully paid up by Mr. Ng and Tan Li Tong, an Independent Third Party, at the issue price of S\$1.00 each respectively. In March 2009, M&L (Singapore) allotted and issued 37,425 and 12,475 shares at the issue price of S\$1.00 each to Mr. Ng and Tan Li Tong respectively. Upon completion of the allotment, M&L (Singapore) continued to be owned as to 75% by Mr. Ng and 25% by Tan Li Tong respectively.

In November 2010, by reason of their own investment decisions, Mr. Ng acquired the 25% interest (being 12,500 shares) from Tan Li Tong at the consideration of S\$19,500, which was determined with reference to the then value of the shares being transferred and the then financial condition of M&L (Singapore). Upon completion, M&L (Singapore) was wholly owned by Mr. Ng.

In January 2016, as part of the Reorganisation, BVI (2) acquired the entire issued share capital of M&L (Singapore) from Mr. Ng. Upon completion, M&L (Singapore) became wholly owned by BVI (2). For further details, please refer to the paragraph headed “Reorganisation – D. Acquisition of M&L (Singapore), East Focus, M&L and M&L China” below.

Our PRC Subsidiary

M&L (Shenzhen) is our indirect approximately 96.45%-owned subsidiary, which principally engages in (i) the supply of specialised cutting tools and parts for construction equipment; and (ii) the provision of ancillary services which include the repair and maintenance services, in the PRC. M&L (Shenzhen) was established by M&L China with its own financial resources on 3 July 2009, as a limited liability company with a registered capital of RMB500,000. M&L (Shenzhen) remains wholly owned by M&L China since its establishment. Its duration of operation is from 3 July 2009 to 3 July 2029.

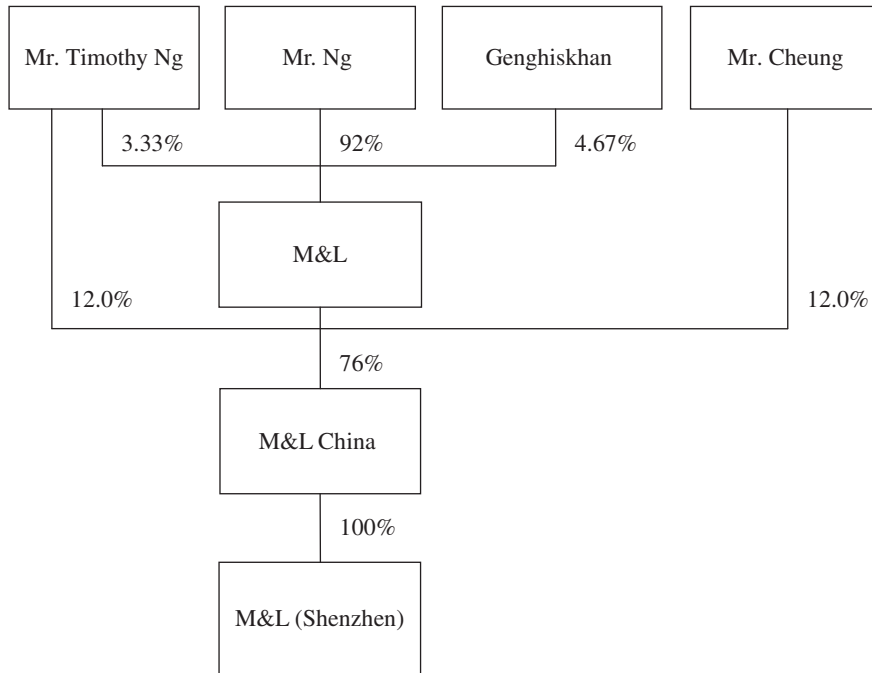
Our PRC Legal Adviser has confirmed that the establishment of M&L (Shenzhen) have obtained the necessary approval, permit and registration and has complied with the relevant PRC legal requirements.

HISTORY AND CORPORATE STRUCTURE

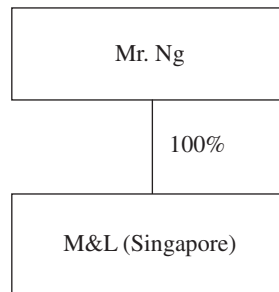
REORGANISATION

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

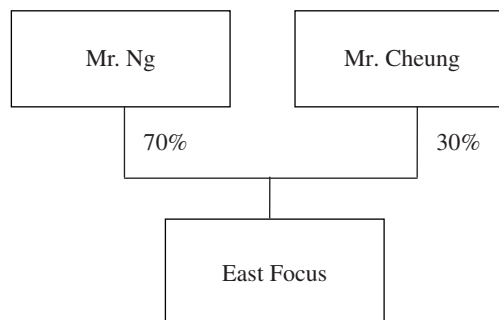
(i) MLENG Group



(ii) M&L (Singapore)



(iii) East Focus



HISTORY AND CORPORATE STRUCTURE

In preparation for the Share Offer, we carried out a series of restructuring steps for the purpose of preparing our corporate structure for the Listing and to facilitate our growth and expansion strategy. The principal steps involved in the Reorganisation are summarised as below.

A. Incorporation of BVI (X)

BVI (X) was incorporated on 23 December 2015 in the BVI. One ordinary share of US\$1.00 was issued to and fully paid by Mr. Ng at par on 23 December 2015. BVI (X) was formed as the investment vehicle of Mr. Ng for the Shares.

B. Incorporation of our Company

On 24 September 2015, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of US\$50,000 divided into 5,000,000 shares with a par value of US\$0.01 each. As of the date of incorporation, one subscriber share was allotted and issued to and fully paid up by the initial subscriber at par. On 24 September 2015, the said one share was transferred to Mr. Ng at par. For further details on changes in share capital of our Company, please refer to the paragraph headed “Statutory and General Information – Further Information about our Company and our Subsidiaries – Changes in share capital of our Company” in Appendix IV to this prospectus.

C. Incorporation of BVI holding companies

Each of BVI (1), BVI (2) and BVI (3) was incorporated in BVI on 23 December 2015. Each of them was authorised to issue up to a maximum of 50,000 shares of a single class with a par value of US\$1.00 each, of which one ordinary share was issued by each of them to and fully paid by our Company at par on 23 December 2015. As a result, each of BVI (1), BVI (2) and BVI (3) became a direct wholly owned subsidiary of our Company. As at the Latest Practicable Date, each of BVI (1), BVI (2) and BVI (3) was an intermediate holding company and held equity interests in our other subsidiaries.

The above companies were established with a view to rationalising our group holding structure as part of our long term business development.

HISTORY AND CORPORATE STRUCTURE

D. Acquisition of M&L (Singapore), East Focus, M&L and M&L China

In order to consolidate the equity interests held by the shareholders of M&L (Singapore), East Focus, M&L and M&L China, the following transactions were undertaken:

Date	Event	Consideration
25 January 2016	BVI (2) acquired the entire issued share capital of M&L (Singapore) (being 50,000 shares) from Mr. Ng. The acquisition had been properly and legally completed and settled on 25 January 2016. For further details, please refer to the paragraph headed “Statutory and General Information – Further Information about our Company and our Subsidiaries – Changes in share capital of our Company” in Appendix IV to this prospectus.	The issue and allotment by our Company of 459 Shares credited as fully paid to Mr. Ng, which was determined with reference to the relative value of M&L (Singapore) and our Group taking into account, among other things, their respective financial conditions and prospect, as agreed among the relevant parties.
25 January 2016	BVI (3) acquired 70% and 30% of the entire issued share capital of East Focus (being 70,000 and 30,000 shares respectively) from Mr. Ng and Mr. Cheung respectively. The acquisition had been properly and legally completed and settled on 25 January 2016. For further details, please refer to the paragraph headed “Statutory and General Information – Further Information about our Company and our Subsidiaries – Changes in share capital of our Company” in Appendix IV to this prospectus.	The issue and allotment by our Company of 738 Shares to Mr. Ng and 318 Shares to Mr. Cheung, in each case, credited as fully paid, which was determined with reference to the relative value of East Focus and our Group taking into account, among other things, their respective financial conditions and prospect, as agreed among the relevant parties.

HISTORY AND CORPORATE STRUCTURE

Date	Event	Consideration
25 January 2016	BVI (1) acquired 92% and 3.33% of the entire issued share capital of M&L (being 13,800,000 and 500,000 shares respectively) from Mr. Ng and Mr. Timothy Ng respectively. The acquisition had been properly and legally completed and settled on 25 January 2016. For further details, please refer to the paragraph headed “Statutory and General Information – Further Information about our Company and our Subsidiaries – Changes in share capital of our Company” in Appendix IV to this prospectus.	The issue and allotment by our Company of 7,484 Shares to Mr. Ng and 274 Shares to Mr. Timothy Ng, in each case, credited as fully paid, which was determined with reference to the relative value of M&L and our Group taking into account, among other things, their respective financial conditions and prospect, as agreed among the relevant parties.
25 January 2016	BVI (1) acquired 12% of the entire issued share capital of M&L China (being 1,200 shares) from each of Mr. Timothy Ng and Mr. Cheung (i.e. an aggregate of 24% of the entire issued share capital of M&L China). The acquisition had been properly and legally completed and settled on 25 January 2016. For further details, please refer to the paragraph headed “Statutory and General Information – Further Information about our Company and our Subsidiaries – Changes in share capital of our Company” in Appendix IV to this prospectus.	The issue and allotment by our Company of 121 Shares to Mr. Timothy Ng and 121 Shares to Mr. Cheung, in each case, credited as fully paid, which was determined with reference to the relative value of M&L China and our Group taking into account, among other things, their respective financial conditions and prospect, as agreed among the relevant parties.

As a result of the above transactions, each of M&L (Singapore) and East Focus has become our indirect wholly owned subsidiaries, and M&L and M&L China have become our approximately 95.33%-owned and 96.45%-owned indirect subsidiaries.

E. MEK Disposal

MEK was incorporated on 7 March 2005 in Hong Kong as a private company with limited liability. Prior to the MEK Disposal, MEK was owned as to 25%, 5%, 5%, 55%, and 10% by Mr. Ng, Mr. Timothy Ng, Mr. Cheung, Palmieri and Ms. Pierallini respectively. MEK was an investment holding company, and held the entire registered capital of Palmieri (China).

HISTORY AND CORPORATE STRUCTURE

Palmieri (China) was established on 25 September 2008 in the PRC. Prior to the MEK Disposal, Palmieri (China) had a registered capital of US\$1,400,000, and principally engaged in the assembling of certain tunnelling and drilling equipment (the “**Assembled Products**”). We have been purchasing the Assembled Products from, and selling certain parts for the Assembled Products to Palmieri (China).

In order to avoid any possible conflicts of interest in relation to the transactions between Palmieri (China) and our Group, which are expected to continue after the Listing, on 25 January 2016, Mr. Ng, Mr. Cheung, Mr. Timothy Ng and Ms. Pierallini entered into a sale and purchase agreement pursuant to which Mr. Ng, Mr. Timothy Ng, Mr. Cheung disposed of their respective 25%, 5% and 5% equity interests in and shareholders’ loans in the aggregate amount of HK\$1,668,243 owed by MEK to Ms. Pierallini at the aggregate cash consideration of HK\$2,010,000. The consideration was determined with reference to the original issue price for the shares of MEK and the face value of the shareholders’ loan. The disposal had been properly and legally completed and settled in February 2016. Upon completion of the disposal, MEK is owned as to 55% by Palmieri and as to 45% by Ms. Pierallini.

F. Investment of the Pre-IPO Investor

On 26 January 2016, the Pre-IPO Investor entered into the Pre-IPO Subscription Agreement with Mr. Yeung and our Company for subscription of 475 Shares (representing 4.75% of the then enlarged issued share capital of our Company upon completion of the Pre-IPO Investment on a fully-diluted basis) for the consideration of HK\$9,500,000. The issue price was determined based on arm’s length negotiations and with reference to the financial conditions and prospect of our Group, and prices of certain comparable companies. The subscription had been properly and legally completed and settled on 26 January 2016. Upon completion of the subscription, our Company was then held as to 86.91% by Mr. Ng, 4.39% by Mr. Cheung, 3.95% by Mr. Timothy Ng and 4.75% by the Pre-IPO Investor respectively. For further details of the investments of the Pre-IPO Investment, please refer to the paragraph headed “Pre-IPO Investment” in this section.

G. Share Transfers by Mr. Ng

(1) Transfers to certain Directors

On 26 January 2016, with a view to providing greater incentives and/or an opportunity to have a personal stake in our Company, Mr. Ng made the following transfer of Shares:

- (i) 100 Shares to Mr. Larry Ng at the consideration of HK\$2,000,000 in cash;
- (ii) 250 Shares to Mr. Cheung at the consideration of HK\$5,000,000 in cash; and
- (iii) 250 Shares to Mr. Timothy Ng at the consideration of HK\$5,000,000 in cash.

The transfers had been legally completed on 26 January 2016. The consideration per Share for the transfers was the same as the consideration the Pre-IPO Investor paid in the Pre-IPO Investment.

HISTORY AND CORPORATE STRUCTURE

The following sets out certain information regarding the transferred Shares held by the transferees (“**Transferred Shares**”):

Completion Date	26 January 2016
Date of payment of consideration for the Transferred Shares	For Mr. Cheung: full payment was made on 12 January 2016 For Mr. Timothy Ng: full payment was made on 8 January 2016 For Mr. Larry Ng: payments were made by several instalments and were fully settled on 30 November 2016
Number of Transferred Shares to be transferred	100 Shares to Mr. Larry Ng (representing 1% of the then issued share capital of our Company upon completion of the Pre-IPO Investment on a fully-diluted basis) 250 Shares to Mr. Cheung (representing 2.5% of the then issued share capital of our Company upon completion of the Pre-IPO Investment on a fully-diluted basis) 250 Shares to Mr. Timothy Ng (representing 2.5% of the then issued share capital of our Company upon completion of the Pre-IPO Investment on a fully-diluted basis)
Amount of consideration	HK\$12,000,000 in aggregate
Use of proceeds by our Company	Not applicable, as payments were made to Mr. Ng
Number of Shares held by the transferees upon completion of the Capitalisation Issue and the Share Offer (inclusive of Shares held by Mr. Cheung and Mr. Timothy Ng prior to the transfers of the Transferred Shares)/Public float	Please refer to the sub-section headed “Statutory and General Information – C. Disclosure of Interest” in Appendix IV to this prospectus As the transferees are our Directors, the Shares held by them will not be counted towards the public float of our Company after the Listing for the purpose of Rule 11.23(7) of the GEM Listing Rules

HISTORY AND CORPORATE STRUCTURE

Cost per Transferred Share paid by the transferees (taking into account the Capitalisation Issue) (approximate)	HK\$0.44 (representing a discount of approximately 1.23% to the mid-point of the indicative Offer Price range of HK\$0.4 to HK\$0.5, being HK\$0.45 per Share)
Special rights granted to the transferees	Nil
Lock-up	No such requirements imposed from the transfers

The Sponsor has reviewed the relevant information and documentation in relation to the above transactions. Given that (i) the transactions were completed on 26 January 2016 and all payments were settled by 30 November 2016, which was more than 28 days before the first submission of the Listing application to the Stock Exchange; and (ii) no special rights have been granted to the transferees, the Sponsor is of the view that the above transactions were conducted in a fair and orderly manner and the transferees are not exposed to risks significantly different from that assumed by investors of our Shares in the Share Offer, and confirmed that the above transactions are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on 13 October 2010 (as amended), Guidance Letters HKEx-GL44-12 (issued in October 2012 and updated in March 2017) and HKEx-GL43-12 (issued in October 2012 and updated in July 2013 and March 2017).

(2) Transfers to BVI (X)

On 26 January 2016, for the purposes of rationalising his investments in our Company, Mr. Ng transferred 8,091 Shares to BVI (X), his wholly owned company, at par.

The aforementioned Reorganisation transactions have been properly and legally completed and settled in compliance with all applicable laws and regulations, including, where applicable, having obtained the necessary approvals.

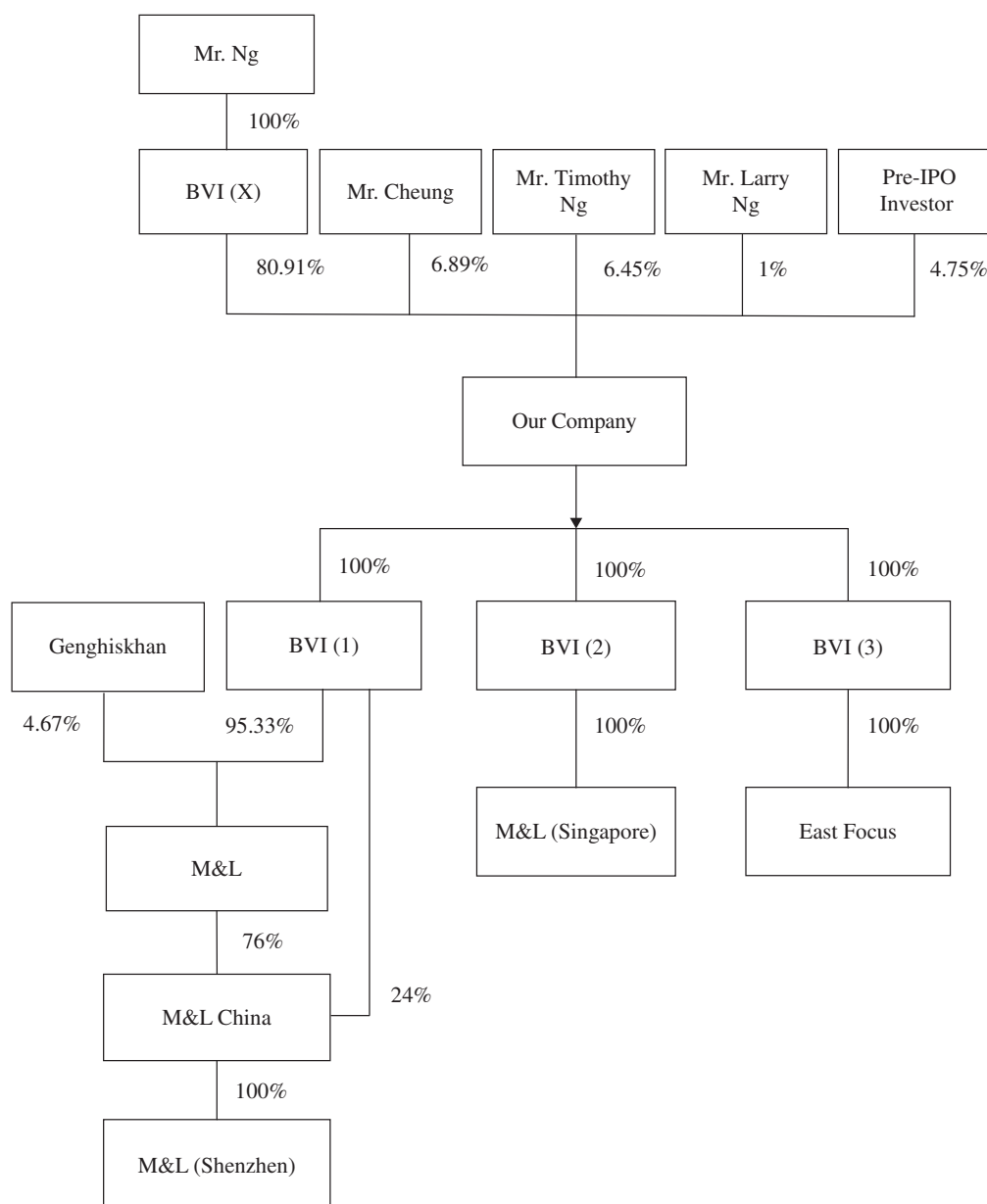
Upon completion of the Reorganisation, the issued share capital of our Company was HK\$100 divided into 10,000 Shares and was owned as to 80.91% by BVI (X), 6.89% by Mr. Cheung, 6.45% by Mr. Timothy Ng, 1% by Mr. Larry Ng and 4.75% by the Pre-IPO Investor respectively.

HISTORY AND CORPORATE STRUCTURE

SHAREHOLDING AND CORPORATE STRUCTURE

Our Shareholding and Corporate Structure after Completion of the Reorganisation but before the Share Offer

Upon completion of the above steps in the Reorganisation, the corporate and shareholding structure of our Group is as follows:



Capitalisation Issue and Share Offer

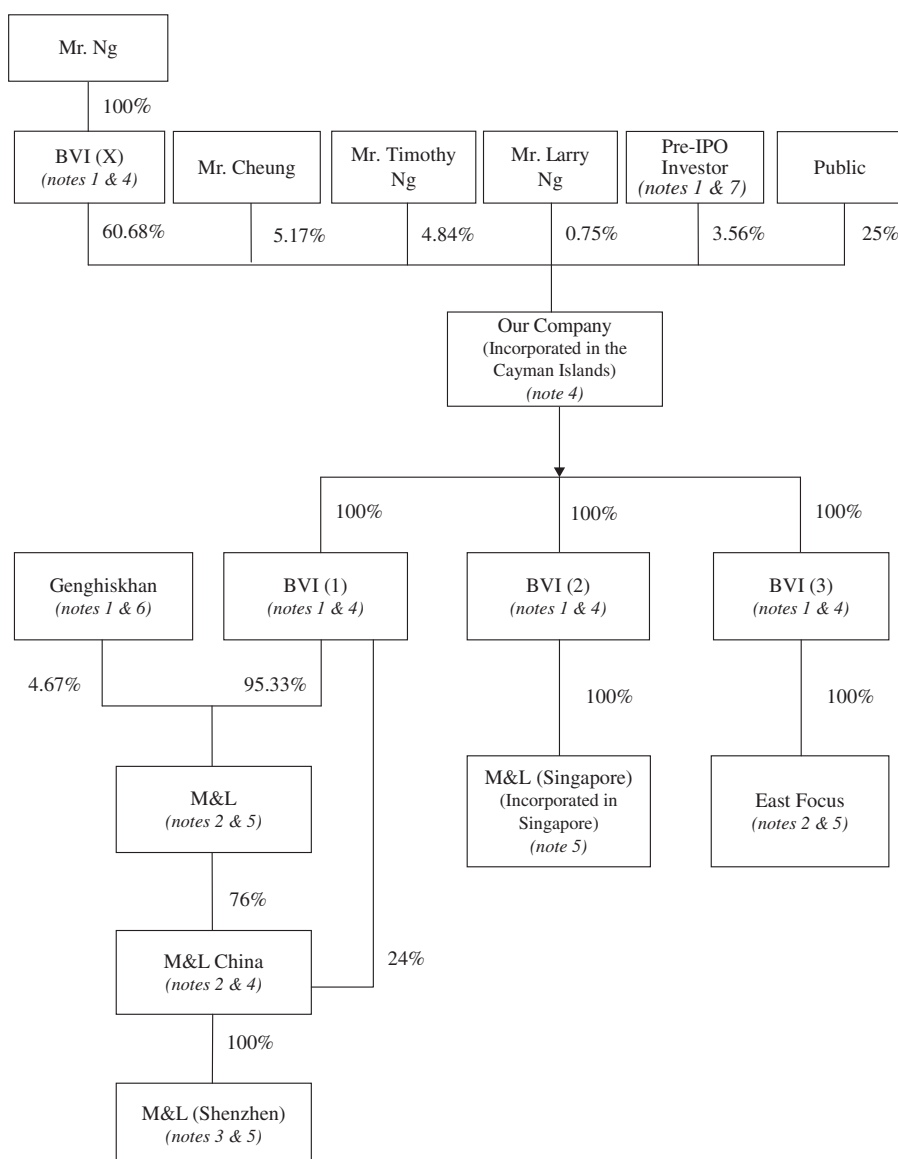
Conditional upon our share premium account being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, an amount of HK\$4,499,900 standing to the credit of the share premium account of our Company will be capitalised by applying such sum

HISTORY AND CORPORATE STRUCTURE

towards the paying up in full at par a total of 449,990,000 Shares for allotment and issue to BVI (X) as to 364,086,909 Shares, Mr. Cheung as to 31,004,311 Shares, Mr. Timothy Ng as to 29,024,355 Shares, Mr. Larry Ng as to 4,499,900 Shares and Pre-IPO Investor as to 21,374,525 Shares.

Our Shareholding and Corporate Structure after Completion of the Share Offer and the Capitalisation Issue

The following chart sets forth the corporate and shareholding structure of our Group upon completion of the Share Offer and the Capitalisation Issue (assuming the options which may be granted under the Share Option Scheme are not exercised):



HISTORY AND CORPORATE STRUCTURE

Notes:

1. Incorporated in BVI.
2. Incorporated in Hong Kong.
3. Established in the PRC.
4. Each of BVI (X), Our Company, BVI (1), BVI (2), BVI (3) and M&L China is an investment holding company.
5. M&L principally engages in (i) the supply of specialised cutting tools and parts for construction equipment; (ii) the supply of fabricated construction steel works and equipment; (iii) the supply of specialised construction equipment; and (iv) the provision of ancillary services which include leasing of specialised construction equipment, and repair and maintenance services.

M&L (Shenzhen) principally engages in the business activity (i) as set out above, and the provision of ancillary services which include the repair and maintenance services, in the PRC.

M&L (Singapore) principally engages in the business activities (i) as set out above, and the provision of ancillary services which include the repair and maintenance services, in Singapore.

East Focus engages in the business activities (i), (ii), (iii) and (iv) as set out above.
6. In about April 1998, Genghiskhan was struck off of the BVI Register of Companies for its failure to pay its annual licence fees, and had been dissolved in April 2008 after remaining struck off continuously for a period of 10 years.
7. The Shares held by the Pre-IPO Investor will be counted towards the public float of our Company for the purpose of Rule 11.23(7) of the GEM Listing Rules.

PRE-IPO INVESTMENT

Investment of the Pre-IPO Investor

The Pre-IPO Investor is an investment holding company incorporated in the BVI on 1 July 2015 with limited liability. Mr. Yeung is the sole director and shareholder of the Pre-IPO Investor. Mr. Yeung was a senior management member and acted as director of certain subsidiaries of a Hong Kong listed company in the construction industry and has come to know Mr. Ng through business for over 20 years. After coming to the knowledge that our Group was planning to seek a listing on the Stock Exchange, Mr. Yeung expressed his interest to invest in our Company. Having completed his own due diligence on our Group and being satisfied with our Group's business, financial performance and prospects. Mr. Yeung decided to invest in our Group via his investment company, the Pre-IPO Investor.

On 26 January 2016, the Pre-IPO Subscription Agreement was entered into by and among the Pre-IPO Investor, Mr. Yeung (as warrantor of certain of the obligations of the Pre-IPO Investor under the agreement) and our Company, pursuant to which the Pre-IPO Investor agreed to subscribe for 475 Shares for the consideration of HK\$9,500,000. The consideration was determined based on arm's length negotiations and with reference to the financial conditions and prospect of our Group, and prices of certain comparable companies. The investment was properly and legally completed and settled on 26 January 2016. The Pre-IPO Investor is an investment holding company and wholly owned by Mr. Yeung, who is a private investor and an Independent Third Party. The Shares held by the Pre-IPO Investor will be counted towards the public float of our Company after the Listing for the purpose of Rule 11.23(7) of the GEM Listing Rules.

HISTORY AND CORPORATE STRUCTURE

The following table summarises certain principal terms of the Pre-IPO Subscription Agreement:

Name of the Pre-IPO Investor	Best Field Inc., a company incorporated in BVI on 1 July 2015 with limited liability
Information of the Pre-IPO Investor	the Pre-IPO Investor is wholly owned by Mr. Yeung, and is an investment holding company
Completion date and date of payment of consideration for the Pre-IPO Investment	26 January 2016
Number of Shares Subscribed	475 Shares (representing 4.75% of the then enlarged issued share capital of our Company upon completion of the Pre-IPO Investment on a fully-diluted basis)
Amount of consideration and use of proceeds	HK\$9,500,000, which was funded from the own financial resources of Mr. Yeung. No restriction on the use of proceeds.
Number of Shares held by Pre-IPO Investor upon completion of the Capitalisation Issue and the Share Offer	21,375,000 Shares (representing approximately 3.56% of our issued share capital upon completion of the Capitalisation Issue and the Share Offer) (taking no account of any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme)
Cost per Share paid by the Pre-IPO Investor (taking into account the Capitalisation Issue) (approximate)	HK\$0.44 (representing a discount of approximately 1.23% to the mid-point of the indicative Offer Price range of HK\$0.4 to HK\$0.5, being HK\$0.45 per Share)
Lock-up	For a period from 26 January 2016 up to the Restriction End Date (as defined below) (both days inclusive), the Pre-IPO Investor and Mr. Yeung (together, the “ Warrantors ”) shall not (except with our approval), among other things: (a) issue, sell, encumber or otherwise dispose of, directly or indirectly: (i) any of the Shares and/or the securities of the Pre-IPO Investor (collectively, the “ Restricted Securities ”) from time to time held by any of them; or

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- (ii) securities exchangeable for or convertible into any of the Restricted Securities; or
 - (iii) warrants or other rights to purchase any of the Restricted Securities; or
 - (iv) any security or financial product whose value is determined directly or indirectly by reference to the price of any of the Restricted Securities; or
- (b) enter into any other arrangement that transfers to others, in whole or in part, any of the economic consequences of ownership of any of the Restricted Securities.

provided that, subject to compliance with the requirements of or restrictions imposed by/under the Stock Exchange, the SFC and/or the GEM Listing Rules, the Pre-IPO Investor shall be entitled to dispose of (i) up to 25% Shares at any time and from time to time after the day falling 6 months after the Listing Date; and (ii) the Shares acquired by the Warrantors in the market after the Listing.

“Restriction End Date” means (i) in the event a qualified listing shall not have occurred on or before 31 January 2017 (the “**Restriction Reference Date**”), 31 January 2017; and (ii) in the event a qualified listing shall have occurred on or before the Restriction Reference Date, the day falling 12 months after the Listing Date.

The Warrantors shall also procure that up to and inclusive of the Restriction End Date, among other things, without our consent:

- (a) the Pre-IPO Investor remains wholly owned by Mr. Yeung; and/or
- (b) no issue, sale, encumber or other disposal of, directly or indirectly (collectively “**Disposal**”) of any Restricted Securities will take place, except for the direct Disposal of the Shares by the Pre-IPO Investor.

Please refer to the paragraph headed “Lock-up Undertaking by the Pre-IPO Investor” below for further information regarding lock up of Shares by the Pre-IPO Investor.

HISTORY AND CORPORATE STRUCTURE

Right of First Refusal in favour of other Shareholders of our Company regarding sale of Shares by the Pre-IPO Investor on same terms and conditions	Such right shall lapse and cease to have effect upon Listing.
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Lock-up Undertaking by the Pre-IPO Investor

Since the Listing did not occur on or before the Restriction Reference Date, being 31 January 2017, lock-up undertaking of Shares by the Warrantors under the Pre-IPO Subscription Agreement ended on 31 January 2017.

On 1 February 2017, the Pre-IPO Investor and Mr. Yeung gave an undertaking in favour of our Company pursuant to which they have jointly and generally, irrevocably and unconditionally given their respective lock-up undertakings in respect of the Restricted Securities on the same terms of the undertaking as those described under the sub-heading “Lock-up” in the table above except that the lock up period shall be for the period up to and including the day falling 12 months after the Listing Date. The undertaking shall lapse and cease to have effect in the event that a qualified listing shall not have occurred on or before 31 January 2018.

Sponsor’s Confirmation

The Sponsor has reviewed the relevant information and documentation in relation to the Pre-IPO Investment. Given that (i) the Pre-IPO Investment was completed on 26 January 2016 which was more than 28 days before the first submission of the Listing application to the Stock Exchange; and (ii) all special rights granted to the Pre-IPO Investor in respect of its investment shall cease to have effect upon the Listing, the Sponsor is of the view that the Pre-IPO Investment was conducted in a fair and orderly manner and the Pre-IPO Investor is not exposed to risks significantly different from that assumed by investors of our Shares in the Share Offer, and confirmed that the Pre-IPO Investment is in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on 13 October 2010 (as amended), Guidance Letters HKEx-GL44-12 (issued in October 2012 and updated in March 2017) and HKEx-GL43-12 (issued in October 2012 and updated in July 2013 and March 2017).

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LEGAL COMPLIANCE

Our PRC Legal Adviser has confirmed that no approvals, permits and registrations are required from the relevant PRC regulatory authorities in relation to the indirect share transfers of M&L (Shenzhen) by reason of share transfers of M&L and M&L China as described under the paragraph headed “Reorganisation” above, and we have complied with the relevant PRC legal requirements in relation thereto.

Our Singapore legal adviser has confirmed that the share transfers of M&L (Singapore) as described under the paragraph headed “Reorganisation” above have obtained the necessary approvals, permits and registrations and have complied with the relevant Singapore legal requirements. Our Singapore legal adviser has further confirmed that no approval, consent, permit, licence, authorisation or filing/registration is required to be obtained or made by us in relation to the Listing under the laws of Singapore.

M&A Rules

Under the M&A Rules, an offshore special purpose vehicle established for listing purposes and controlled, directly or indirectly, by PRC companies or individuals shall be required to obtain approval from the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

The Listing is the overseas listing of an offshore company established and controlled by non-PRC resident because each of our then ultimate shareholders are not PRC individuals. In addition, our PRC subsidiary has been foreign invested enterprises since it was established rather than being acquired as domestic enterprise by foreign investors. Therefore, the Listing is not subject to the M&A Rules. For further details, please refer to the paragraph headed “Laws and Regulations – PRC Laws and Regulations – PRC Regulatory Overview – Approval of the Reorganisation and Proposed Listings” in this prospectus.

SAFE Registration in the PRC

The SAFE Circular No. 37, which was promulgated and effective on 4 July 2014, replaces the SAFE Circular No. 75. According to the SAFE Circular No. 37, a PRC domestic resident legal person or a PRC domestic resident natural person is required to effect foreign exchange registration with the local foreign exchange bureau when such PRC domestic resident legal person or natural person uses its/his/her enterprise assets or interests in the PRC to establish or take control of an offshore special purpose company, and its/his/her domestic enterprises receive round-trip investments from funds raised by such special purpose company controlled by the PRC domestic resident legal person or natural person. “Domestic resident natural person” refers to a natural person holding the PRC resident identity card or passport or other lawful identity documents, or a natural person without lawful PRC resident identity document habitually residing in the PRC due to economic interests. As each of our then ultimate shareholders was not PRC domestic resident legal person or natural person, each of them was not subject to the requirement of foreign exchange registration stipulated in the SAFE Circular No. 37. For further details, please refer to the paragraph headed “Laws and Regulations – PRC Laws and Regulations – PRC Regulatory Overview – Overseas Investment by Domestic Residents” in this prospectus.

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Circular No. 7

On 3 February 2015, the State Administration of Taxation issued the Circular No. 7 which provides guidance on a number of issues regarding enterprise income tax for indirect equity transfer by non-PRC resident enterprise. Pursuant to the Circular No. 7, if a non-PRC resident enterprise indirectly transfer its equity interest in the PRC resident enterprises and properties by implementing arrangements without reasonable commercial purposes but to evade the enterprise income tax, the nature of this indirect transfer shall be re-defined and recognized as a direct transfer of equity interest in a PRC resident and other properties.

As advised by our PRC Legal Adviser, the Reorganisation did not involve any indirect transfer of equity interest in any PRC resident enterprises or properties of our Group by any non-PRC resident enterprises and thus Circular No. 7 is not applicable to the Reorganisation.

OVERVIEW

We position ourselves as an Integrated Engineering Solutions provider in connection with specialised cutting tools and parts for construction equipment with particular focus on Disc Cutters. Disc Cutters are widely used in conjunction with TBMs and micro-tunnelling equipment and typically applied towards the excavation of tunnels with a circular cross section through a variety of soil and rock strata. In addition to our focus in the tunnelling sector, we also provide Integrated Engineering Solutions to our customers in the foundation sector.

In general, our Integrated Engineering Solutions involve (i) the supply of specialised cutting tools and parts for construction equipment, which are primarily related to Branded Products; (ii) the supply of fabricated construction steel works and equipment, which are primarily related to M&L Custom-made Products; (iii) the supply of specialised construction equipment, which are primarily related to Branded Products; and (iv) ancillary services which include leasing of specialised construction equipment, and repair and maintenance services. Our Group derived revenue from each of these activities during the Track Record Period. In connection with the supply of products, we recognised revenue when our Group has transferred to our customer the ownership of such products. As for leasing of specialised construction equipment, relevant rental income under operating lease is recognised on a straight-line basis over the terms of the relevant lease. In relation to the provision of services, revenue is recognised when such services are rendered. For the breakdown of our Group's revenue, please refer to the paragraph headed "Business – Our Business – Our business model" in this prospectus. Our business can broadly be categorised into two segments, namely tunnelling and foundation.

In general, our Integrated Engineering Solutions are primarily related to the planning and/or construction phase of the subject project undertaken by our customers. Our customers included a number of railway construction contractors, construction and engineering contractors and foundation contractors, certain of which are listed companies, private companies and state-owned enterprises. For further details, please refer to the paragraph headed "Business – Customers" in this prospectus.

Our value added Integrated Engineering Solutions combine engineering-oriented professional expertise with application knowledge in respect of, where appropriate, (i) project analysis including geological analysis, consumption estimation, deployment of relevant cutting tools and parts as part of our pre-sale services, which are services typically provided to tunnelling segment customers (where relevant); (ii) ongoing advice, monitoring and assessment on the deployment, usage and functionality of the Branded Products supplied by us, which are services typically provided to tunnelling segment customers (where relevant); (iii) procurement and inventory management, which are services typically provided to tunnelling segment customers (where relevant); (iv) the provision of repair and maintenance services which includes technical support, which are provided to both tunnelling and foundation segment customers; (v) the leasing and supply of specialised construction equipment, which are provided to both tunnelling and foundation segment customers; and (vi) the provision of engineering solutions to fabricated construction steel works and equipment, which are provided to both tunnelling and foundation segment customers.

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Our history can be traced back to 1994 when our chairman, chief executive officer and an executive Director, Mr. Ng, together with two Independent Third Parties founded M&L. At that time, the principal activities of M&L consisted primarily of supplying specialised cutting tools and parts for foundation construction equipment business. Our Group subsequently expanded into the supply of specialised construction equipment in 1996, supply of specialised disc cutters, tools and parts for TBMs and micro-tunnelling equipment business in 1998, and supply of fabricated construction steel works and equipment for the foundation industry in 1999.

For the years ended 31 December 2015 and 31 December 2016, our revenue was approximately HK\$310.1 million and HK\$247.3 million, respectively. For the same periods, our net profit after taxation attributable to equity holders of our Company was approximately HK\$26.4 million and HK\$21.2 million, respectively.

For the years ended 31 December 2015 and 31 December 2016, we derived approximately 96.0% and 94.4%, respectively, of our revenue from the tunnelling segment, with the remaining revenue of approximately 4.0% and 5.6%, respectively, derived from the foundation segment. While the revenue related to the tunnelling segment was largely derived from the supply of specialised cutting tools and parts for tunnelling equipment, the revenue related to the foundation segment was predominantly derived from a combination of supply of (i) specialised foundation construction equipment; (ii) parts to specialised foundation construction equipment; and (iii) fabricated construction steel works and equipment.

Palmieri Group has been our largest supplier during the Track Record Period, which supplied approximately 75.0% and 81.1% of our total cost of sales for the years ended 31 December 2015 and 31 December 2016, respectively.

With a view to further enhancing the supplier-agent relationship between our Group and Palmieri Group which dates back to 1998, on 28 May 2015, M&L (as the exclusive agent) and Palmieri (as the supplier) entered into the 2015 Exclusive Agreement. Pursuant to the 2015 Exclusive Agreement, with an extended term of 20 years, Palmieri appoints M&L as its sole and exclusive agent and representative for, among others, (i) the Palmieri Tunnelling Products in the TP Territories (i.e. the PRC, Hong Kong, Taiwan, Indonesia, Singapore and Malaysia); and (ii) the Palmieri Vertical Drilling Products in the VDP Territories (i.e. the PRC, Hong Kong, Taiwan, Indonesia, Singapore and Malaysia). In addition, on 22 December 2016, we entered into the 2016 Exclusive Agreement with Palmieri in respect of TBM products of not less than three meters in diameter in Australia and New Zealand for an initial term of five years. For details, please refer to paragraph headed “Business – Suppliers and Fabricated Steel Factories” in this prospectus.

As at the Latest Practicable Date, the 2015 Exclusive Agreement and the 2016 Exclusive Agreement were two of the nine agreements our Group has entered into with our suppliers with exclusivity or first right of refusal clause.

Our principal markets are Hong Kong, the PRC and Singapore. We have also supplied products into Japan and the United States of America during the year ended 31 December 2015.

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The following table sets out a breakdown of revenue from our customers based on their respective location^(Note 1) during the Track Record Period:

Revenue	Year ended 31 December 2015		Year ended 31 December 2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Hong Kong	142,030	45.8	82,334	33.3
PRC	103,273	33.3	109,890	44.4
Singapore	63,088	20.3	55,124	22.3
Others ^(Note 2)	1,707	0.6	–	–
	310,098	100.0	247,348	100.0
	310,098	100.0	247,348	100.0

Notes:

- (1) Customers of a geographic location may be served by one or more of our sales office located in the same or different geographic location.
- (2) “Others” include Japan and the United States of America.

Going forward, we intend to expand our existing Businesses, improve the quality of our Integrated Engineering Solutions and focus on penetrating further into the PRC and Singapore markets, while maintaining our market position in Hong Kong.

COMPETITIVE STRENGTHS

We believe that our success and potential for future growth are largely attributable to a combination of our competitive strengths set out as follows:

We have an established history in the supply of specialised cutting tools and parts for construction equipment with practical knowledge in providing Integrated Engineering Solutions to our customers, in particular for tunnelling projects

Our Group has over 20 years of experience in providing Integrated Engineering Solutions for rail, road and utilities tunnelling projects in different geographies, including Hong Kong, the PRC and Singapore, each of which has their own unique geological profile, such projects include Express Rail Link Project (Mei Lai Road – Hoi Ting Road section), Shatin to Central Link (Causeway Bay Typhoon Shelter to Admiralty Tunnels) and Liantang cross-boundary facilities (Tunnelling works). During the Track Record Period, we had derived revenue from

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a total of 26 sizeable contracts (i.e. with a contract sum of not less than HK\$4.0 million) (*Note*) to supply products and/or services primarily for tunnelling works, 8, 12 and 6 of which were contracts for supply of products and/or services in Hong Kong, the PRC and Singapore, respectively. We have collected and maintained geological data in Hong Kong, the PRC and Singapore from the tunnelling projects in which we have participated as well as data on TBM Disc Cutter replacement rates in different geological conditions. Such data forms the basis for our Integrated Engineering Solutions business, including provision of advice to our customers as to the deployment and consumption of the TBM Disc Cutters tailored to the respective projects with a view to ensure effective project execution and reduce the risk of project delays.

According to Ipsos, the monitoring, repair and maintenance of TBM Disc Cutters are important for TBM tunnelling projects. Our Group has a technical team with expertise in the repair and maintenance of TBM Disc Cutters to help contractors by performing maintenance works. Our Group follows the factory standards and guidelines from Palmieri to ensure the quality of the rebuilt TBM Disc Cutters. Our Group also provides TBM Disc Cutters inventory management services, including provision of updates on the inventory of TBM Disc Cutters from time to time and estimates on the potential procurement of TBM Disc Cutters. These services help to ensure that supply of TBM Disc Cutters can correspond with project progress and reduce project delays, which are of particular importance to contractors.

Our Directors believe that our Group has established a good reputation within the tunnelling sector of the construction industry in Hong Kong, the PRC and Singapore and strives to ensure our products and services meet or exceed the expectation of our customers.

Our Directors believe that our credentials, proven track record and practical knowledge accumulated over our operating history are valuable assets to our Group.

We have extensive customer networks and relationships with market participants in various Southeast Asian countries and the PRC and we are well-positioned to capture opportunities in the construction industry (tunnelling sector) in these countries

We have established an extensive customer network covering major main construction contractors and past customers, sizeable tunnelling and foundation sector market participants in Hong Kong. During the Track Record Period, we supplied products and/or provided services to more than 60 customers based in Hong Kong, the PRC and Singapore in aggregate. In addition, during and prior to the Track Record Period, we have also supplied products and/or provided services to customers located in Australia, Japan, Macau, Malaysia and United States of America. In addition, we have made continuous effort into the expansion of our customer network. During the Track Record Period, we maintained our penetration into (i) the PRC, primarily focusing on public sector contracts related to tunnelling projects under the supply of Branded Products business; and (ii) Singapore, with a particular focus on tunnelling projects for the MRT system of Singapore and cable tunnel project for the supply of Branded Products.

Note: For the purpose of determining the number of contracts, we deem all contracts and purchase orders which are identified to be attributable to the same construction project as one contract.

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By leveraging on our existing extensive customer network and established communication channels with our customers, our Directors believe that we are well-positioned to capture opportunities in the construction industry (tunnelling sector) in various Southeast Asian countries and the PRC. As at the Latest Practicable Date, we had an office in Hong Kong, the PRC and Singapore where the respective sales and marketing team in the region is based.

The demand for our Integrated Engineering Solutions had sustained over the Track Record Period and our Directors expect such demand to maintain because of the potential opportunities created by the tunnelling sector in Hong Kong, the PRC and Singapore. During the Track Record Period, we had served or were engaged to serve 10 customers, of which each contract had a contract sum in excess of HK\$4.0 million (i.e. sizeable contracts) and most were for tunnelling construction projects based in Hong Kong, the PRC or Singapore.

We believe our Integrated Engineering Solutions is a key differentiator

According to the Ipsos Report, there are no existing TBM Disc Cutter suppliers/agents (which are not also a TBM manufacturer) in Hong Kong and Singapore offering similar services to our Integrated Engineering Solutions, through which we combine engineering-orientated professional expertise with application knowledge in order to provide our customers with tailored solutions. We believe this is one of the key differentiators which set us apart from our competitors.

Furthermore, by leveraging our engineering-oriented professional expertise and application knowledge, our offering of Integrated Engineering Solutions places our Group in an advantageous position to offer a range of products and services supplied by us to our customers.

We believe that our capability in the provision of a wide range of products and services with engineering-oriented expertise is an asset.

We have an experienced management team

We have an experienced management team that has extensive experience in the construction and engineering industry, in particular, the tunnelling and foundation sectors. Mr. Ng, one of the founders of our Group, our chairman, chief executive officer and an executive Director, possesses over 20 years of experience in the construction and engineering industry with a focus in the tunnelling sector. Mr. Kwok Wai Kai, one of our senior management, has over 30 years of experience in the foundation industry. Most members of our executive Board have more than 15 years of experience in the construction and engineering industry.

Please refer to the section headed “Directors and senior management” of this prospectus for details of the biography and experience of our Directors and senior management.

The supply of specialised cutting tools and parts for construction equipment, in particular for the tunnelling and foundation sectors, requires specific knowledge and experience in geology and relevant equipment. Our Directors consider that the experience of our management team make us well-positioned to capture future business opportunities.

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We have long established business relationships with our main suppliers

Given our business model, which is further elaborated under the paragraph headed “Business – Our Business – Our business model” below, our Directors believe that the product quality of our suppliers is one of our key differentiators which gives us a competitive advantage over our competitors.

We have established long-standing supplier-agent relationships with several international brand owners for specialised cutting tools and parts for construction equipment and specialised construction equipment, including, Palmieri for Palmieri Tunnelling Products, Palmieri Vertical Drilling Products and products for TBM of not less than three meters in diameter, Belloli for certain dump trucks bearing the Belloli brand and PTC for its products such as PTC vibrators and vibrolances. Our Directors believe that stable and long-standing relationships with key suppliers have enabled us (i) to process our transactions with them more efficiently as we have existing established communication channels with the relevant personnel; (ii) to secure good payment terms; and (iii) to be well-positioned for competitive pricing for products. In addition, our Directors believe that our long association with these international brand owners provides confidence to our customers as well as preserve their loyalty to our Group.

We source a mix of specialised cutting tools and parts for tunnelling and foundation construction equipment with different sizes, designs, materials and usage from our suppliers. Our Directors believe that one of the key success factors of our Group is our ability to maintain long-term supplier-agent relationships with these international brand owners.

As at the Latest Practicable Date, we had established business relationships with our five largest suppliers for each of the year ended 31 December 2015 and 31 December 2016 ranged from approximately three years to 19 years. Our Directors believe such long-standing relationships were established through our provision of comprehensive services including, but not limited to, (i) an important role as the agent, both on an exclusive and non-exclusive basis for certain geographical locations and products, in the sale of their specialised cutting tools and parts for construction equipment and specialised construction equipment into various Southeast Asian countries and the PRC; (ii) extensive customer network and relationship with main/sub contractors in the construction sector in various Southeast Asian countries and the PRC; and (iii) our capability to provide Integrated Engineering Solutions.

In May 2015, we renewed the exclusive supplier-agency agreement with our largest supplier, Palmieri, for an extended term of 20 years for, among others, (i) the Palmieri Tunnelling Products in the TP Territories; and (ii) the Palmieri Vertical Drilling Products in the VDP Territories. In addition, in December 2016, we entered into the 2016 Exclusive Agreement with Palmieri in respect of TBM products of not less than three meters in diameter in Australia and New Zealand for an initial term of five years. As at the Latest Practicable Date, we had supplier-agency agreements, with a duration of more than one year, with three out of our five largest suppliers (including Palmieri Group) for the year ended 31 December 2016, all of which are on exclusive basis in the specified geographical locations. Please refer to information set out under the paragraph headed “Business – Suppliers and Fabricated Steel Factories” below for further details on the supplier-agency agreements entered into by our Company.

BUSINESS STRATEGIES

Our principal objective is to maintain our position as a provider of Integrated Engineering Solutions in Hong Kong and to increase our presence further in the PRC and Singapore markets. We intend to achieve our objectives by implementing the following strategies:

Strengthen our leadership position as an Integrated Engineering Solutions provider in the tunnelling sector in Hong Kong

We will maintain our focus on strengthening our position as an Integrated Engineering Solutions provider in the tunnelling sector in Hong Kong. We will continue to devote resources and efforts to maintain our market position and our ancillary service offerings in Hong Kong, where we target to identify potential opportunities arising from forthcoming construction projects in both the public and private sectors.

In general, our Integrated Engineering Solutions combine engineering-oriented professional expertise with application knowledge which may include, (i) project analysis involving (a) geological analysis based on information available from various sources such as geological maps and plans, stratigraphy, laboratory test of ground materials, soil and/or rock to determine the rocks' compressive strength, abrasivity and rock-quality designation, and preliminary information on the potential construction design and excavation methodology; (b) consumption estimation of TBM Disc Cutters after a thorough understanding of the relevant geotechnical information, type of TBM to be deployed as well as the design of TBM cutterhead and its application; and (c) recommend deployment of relevant cutting tools and parts, as part of our pre-sale services; (ii) ongoing advice, installation, monitoring and assessment on the deployment, usage and functionality of the Branded Products supplied by us; (iii) procurement and inventory management; (iv) the provision of repair and maintenance services for certain consumable Branded Products, such as Disc Cutters, parts of which may subject to wear and tear during the excavation process that can be repaired and reused thereafter, as well as relevant technical support; (v) the leasing and supply of specialised construction equipment; and (vi) the provision of engineering solutions to fabricated construction steel works and equipment tools and parts for construction equipment which may involve us conducting in-house research and development on (a) the feasibility, design and functionalities of a new product to derive a solution to cater for our customers' requirements; or (b) improvement to existing product designs provided by our customer. Based on our Directors' experience, as most of our customers are contractors, and they would focus their efforts on the planning and execution of the construction part of the project to meet the stipulated timetable, our Integrated Engineering Solutions are valued added services to our customers as our solutions would assist them to carry out smooth execution of the relevant construction works.

Broaden customer base and enhance our competitiveness in the PRC and Singapore

Our long history of operation and experience together with the offering of our Integrated Engineering Solutions allow our Group to compete for new contracts which contribute to our ongoing business and future profitability. We shall continue to build our track record and reputation in the tunnelling and foundation sectors by securing contracts and delivering products and/or services to the satisfaction of our customers. We intend to reinforce our market position in our existing geographical markets by adopting the following strategies:

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- for the PRC market, we intend to focus on supplying (i) Branded Products for TBM tunnelling projects with complex geology in the PRC; and (ii) PTC brand products for foundation projects; and
- for the Singapore market, we intend to primarily focus on supplying Branded Products locally and utilise Singapore as a regional hub to seek opportunities for expansion into Malaysia and Indonesia with our spare capacity (if any).

Our strategy going forward is to continue our focus on our three principal markets, namely Hong Kong, the PRC and Singapore, whilst utilising our unused capacity to develop other geographic locations as mentioned above. However, our Directors are not expecting these other geographic locations to generate material profit contribution in the short term.

Compete for sizeable contracts

Our Integrated Engineering Solutions are tailor-made for our customers to suit their specific needs. Our executive Directors, who have extensive experience and knowledge in our Businesses, are involved in our operation of business. Their level of involvement varies according to the size and complexity of the project. With a view to maximising profit derived from our management resources, on one hand, our Group focuses on deploying our resources towards competing for sizeable contracts which involves the provision of our Integrated Engineering Solutions, with a contract sum of not less than HK\$4 million. On the other hand, we will also consider competing for and taking on smaller contracts under circumstances where (i) our Group has unutilised capacity and resources; (ii) the estimated gross profit margin attributable to such contracts is acceptable to our Group; and (iii) the execution of such contracts will not impair the ability of our Group to execute awarded or potential contracts which our Group has tendered or provided quotation for. In the long run, we intend to expand our workforce to enhance our overall capacity in the provision of Integrated Engineering Solutions. Please refer to the paragraph headed “Business – Business Strategies – Strengthen our competence through the establishment of our own fabricated construction steel factory, Disc Cutter repair centre and expansion of our workforce” below for more details.

Extend our Integrated Engineering Solutions capabilities

We intend to extend our Integrated Engineering Solutions capabilities in existing geographical markets to provide a more comprehensive range of products and/or services. In addition, we intend to extend our leasing and trading services to include vibrodrivers for foundation projects in Hong Kong, the PRC and other overseas countries.

In addition, our Directors and our senior management team, together with Palmieri, are jointly developing a type of RCD rig with the M&L-Palmieri brand specifically for foundation projects. Such RCD rig will be made available for leasing and trading in Hong Kong, the PRC and other overseas countries once completed. As at the Latest Practicable Date, the design stage of the aforesaid jointly developed RCD rig, which was led by our Group, has been completed. Once our new fabricated construction steel factory is in operation, which is

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expected to be in the second half of 2018, we intend to manufacture the steel structure and assemble such RCD rig there. The setup costs of our new fabricated construction steel factory will be funded by part of our net proceeds from the Share Offer. Based on information available, our Directors estimated that the profit margin of the jointly developed RCD rig to be not less than 30%.

In this connection, we intend to utilise part of the net proceeds from the Share Offer for the acquisition of (i) two sets of vibrodrivers; and (ii) components for two sets of RCD rig (such components are for the jointly developed RCD rig with the M&L-Palmieri brand for foundation projects to be manufactured and assembled in our new fabricated construction steel factory). The business model for our leasing and trading services is to keep a small quantity of specified type of specialised construction equipment. On this basis, save for the net proceeds amount allocated for the intended use of acquiring the two sets of vibrodrivers and components for two sets of RCD rig, there are no other intended material capital expenditure commitment in this connection as at the Latest Practicable Date. Our Directors expect the gross profit margin of leasing the aforesaid specialised construction equipment should be consistent with the range of gross profit margin derived from leasing of other specialised construction equipment during the Track Record Period.

Our Directors are of the view that the extended products and services offerings, such as (i) leasing of vibrodriver starting from the six months ending 31 December 2017 and RCD rig starting from the six months ending 30 June 2018; (ii) the supply of Technically More Complex M&L Custom-made Products according to our customers' needs and to be manufactured in our own fabricated construction steel factory starting from the second half of 2018 as further detailed in the following section below; and (iii) the provision of repair and maintenance services to Disc Cutters at the customers' work sites or our Disc Cutter repair centre starting from the six months ending 31 December 2017 as further detailed in the following section below, will enhance our Integrated Engineering Solutions capabilities. Such capabilities together with our 20 years of experience and credentials accumulated from the provision of Integrated Engineering Solutions for foundation projects as well as rail, road and utilities tunnelling projects in different geographies, including Hong Kong, Singapore and the PRC, with their own unique geology profile, will enable us to remain competitive in competing for contracts in the future.

Strengthen our competence through the establishment of our own fabricated construction steel factory, Disc Cutter repair centre and expansion of our workforce

(i) Establishment of fabricated construction steel factory

Currently, our supply of fabricated construction steel works and equipment rely on the Fabricated Steel Factories. With a view to enhancing our competence in this area, we intend to utilise part of the net proceeds from the Share Offer as initial capital to set up our own fabricated construction steel factory in the PRC which is capable of producing custom-made products for tunnelling and foundation projects as specified by our customers. Further details are set out under the section headed "Future plans and use of proceeds" in this prospectus. We expect our own fabricated construction steel factory to be in full operation by the second half of 2018.

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(ii) Establishment of Disc Cutter repair centre

With a view to providing timely repair and maintenance and related supporting services to our customers in the PRC, we intend to further develop our repair and maintenance capabilities in the PRC. We intend to set up a Disc Cutter repair centre, strategically located in Guangdong Province, the PRC, with the intended purpose of serving the southern region of the PRC. Further details are set out under section headed “Future Plans and use of proceeds” in this prospectus.

(iii) Expansion of our workforce

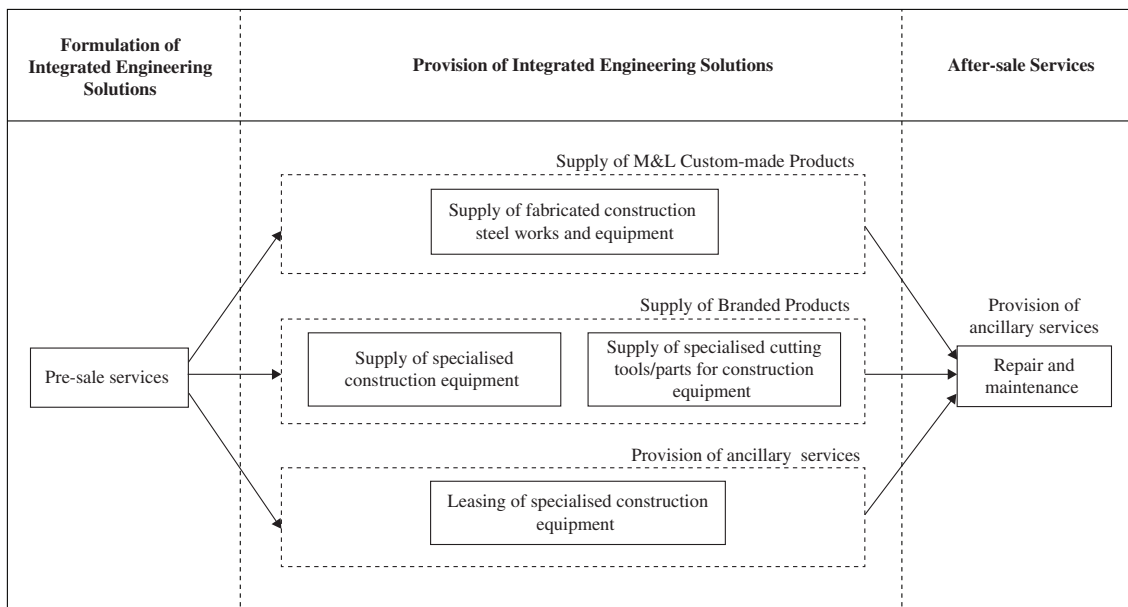
To cope with potential business expansion, we intend to recruit staff with suitable experience and qualifications for our Businesses. As part of our workforce expansion plan, our Group intends to utilise part of the net proceeds from the Share Offer to hire (i) a sales manager, a plant manager and six additional fabricated construction steel workers for the expansion of our fabricated construction steel works and equipment business; and (ii) one supervisor and five additional workers for our technical services and maintenance team.

Our Directors believe that by strengthening our competence and expanding our workforce, we will be able to better compete for sizeable contracts and broaden our customer base.

OUR BUSINESS

Our business model

Under our Integrated Engineering Solutions business model, we provide the following products and services, namely: (i) supply of specialised cutting tools and parts for construction equipment; (ii) supply of fabricated construction steel works and equipment; (iii) supply of specialised construction equipment; and (iv) ancillary services which include leasing of specialised construction equipment, and repair and maintenance services. In addition, our Group also provides pre-sale and after-sale services from time to time. Our business model is set out in the diagram below.



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Our revenue by principal activities is set out as follows:

Products and services	Year ended 31 December 2015		Year ended 31 December 2016	
	HK\$'000	%	HK\$'000	%
Supply of specialised cutting tools/parts for construction equipment	239,955	77.4	204,401	82.6
Supply of fabricated construction steel works and equipment	56,827	18.3	29,418	11.9
Supply of specialised construction equipment	5,165	1.7	3,193	1.3
Ancillary services (<i>Note</i>)	8,151	2.6	10,336	4.2
	310,098	100.0	247,348	100.0

Note: Ancillary services include leasing of specialised construction equipment, and repair and maintenance services.

For the years ended 31 December 2015 and 31 December 2016, we derived approximately 77.4% and 82.6%, respectively, of our revenue from the supply of specialised cutting tools and parts for construction equipment and the remaining revenue is attributable to (i) the supply of fabricated construction steel works and equipment, representing approximately 18.3% and 11.9%, respectively, of our revenue; (ii) the supply of specialised construction equipment, representing approximately 1.7% and 1.3%, respectively, of our revenue; and (iii) the provision of ancillary services, representing approximately 2.6% and 4.2%, respectively, of our revenue, over the same periods.

Sizeable contracts during the Track Record Period

Set out below is a breakdown of the sizeable contracts (i.e. with a contract sum of not less than HK\$4.0 million) (*Note 1*) carried out by our Group during the Track Record Period:

	Number of sizeable tunnelling contracts in progress or completed	Number of sizeable foundation contracts in progress or completed	Total number of sizeable contracts in progress or completed	Total revenue derived from sizeable contracts HK\$'000	Total revenue derived from contract/purchase order(s) amount less than HK\$4.0 million HK\$'000	Total Revenue HK\$'000
During the year ended 31 December 2015	15 (<i>Note 2</i>)	1 (<i>Note 3</i>)	16 (<i>Note 4</i>)	188,966	121,132	310,098
During the year ended 31 December 2016	17 (<i>Note 5</i>)	–	17 (<i>Note 6</i>)	147,748	99,600	247,348

Notes:

- (1) For the purpose of determining the number of contracts, we deem all contracts and purchase orders which are identified to be attributable to the same construction project as one contract.
- (2) Seven sizeable tunnelling contracts were for projects lasted for more than one financial year.
- (3) No sizeable foundation contract was for projects lasted for more than one financial year.
- (4) Seven sizeable contracts were for projects lasted for more than one financial year.
- (5) Seven sizeable tunnelling contracts were for projects lasted for more than one financial year.
- (6) Seven sizeable contracts were for projects lasted for more than one financial year.

The duration of our sizeable contracts completed during the Track Record Period ranged from approximately one to 43 months. During the Track Record Period, most of the sizeable contracts involved multiple purchase orders placed by our customers with our Group over the course of the respective construction projects. The duration of our contracts depends on a number of factors such as, nature of our customers, duration of construction project they undertake, the relevant geological profile, and the size and progress of the subject construction projects. Typically, our customers would place an initial purchase order with us which would then be followed by further purchase orders as the supplied specialised cutting tools/parts for construction equipment are consumed as their construction projects progress. Nonetheless, we also have customers who are TBM manufacturers, whom placed single or multiple purchase orders of Disc Cutters to equip their newly built TBM during the Track Record Period and in such case, the duration of such sizeable contracts would be relatively shorter than that of construction projects.

Products supplied by our Group

Branded Products

As part of our supply of specialised cutting tools and parts for construction equipment business and our supply of specialised construction equipment business, we supply third party products, such as those from Palmieri and PTC to our customers. In this connection, we have entered into supplier-agency agreements or distributorship agreement with a number of suppliers of our Branded Products which were in force as at the Latest Practicable Date. Further details of such agreements are set out under the paragraph headed “Business – Suppliers and Fabricated Steel Factories” of this prospectus.

BUSINESS

(i) *Specialised cutting tools and parts for construction equipment*

Our supply of specialised cutting tools and parts for construction equipment primarily consisted of the following:

Products	Supplier(s)	Size (Capacity)	Tunnelling/ Foundation projects	Functions	Price range during the Track Record Period (Note 1 & 2)
TBM Disc Cutters (Note 3)	Palmieri	17 to 19 inch in diameter (bearing capacity: 25 to 35 tonnes)	Tunnelling	Excavation of tunnels	approximately HK\$23,000 to HK\$109,000
Micro tunnelling disc cutters	Palmieri	10 to 12 inch in diameter (bearing capacity: 10 to 15 tonnes)	Tunnelling	Excavation of tunnels	approximately HK\$18,000 to HK\$31,000
Roller cutters	Palmieri	bearing capacity: 6 to 15 tonnes	Foundation	Diaphragm wall	approximately HK\$21,000 to HK\$28,000

Notes:

- (1) As some of these products are manufactured according to the specific requirements of our customers, price range of such products may vary significantly. Please refer to the paragraph headed “Business – Customers – Pricing policy” below for the pricing policy of the products supplied by us.
- (2) For the avoidance of doubt, transactions may be invoiced and/or settled in currencies other than Hong Kong dollars, but for illustration purpose only, the price range is presented in Hong Kong dollars equivalent and is rounded to a thousand Hong Kong dollars.
- (3) The estimated average product life span of TBM Disc Cutters is approximately 140 m³ per ring to 730 m³ per ring (rounded to nearest 10 m³ per ring), which is based on consumption data collected from our previous projects (the “**Previous Projects**”) calculated through dividing the total cubic metre excavated under the subject project by the total number of Disc Cutter consumed. However, given various factors (including (i) the contractor undertaking the relevant tunnelling construction works; (ii) the construction design of the tunnel; (iii) the construction methodology applied; (iv) the design and size of TBM and TBM cutterhead deployed; and (v) the relevant geological characteristics and rock strength) would have bearings on the Disc Cutter life span under the Previous Projects, the stated Disc Cutter life span would be subject to the condition that the project was carried out. On this basis, such estimation may differ materially under projects carried out under different conditions.

Disc Cutters



TBM Cutting Head (*Note*)



Single Disc Cutter



Twin Disc Cutter



Roller cutters to diaphragm wall



Roller cutters to diaphragm wall

Note: Whilst we supply the Disc Cutters equipped on the TBM Cutting Head, we did not supply TBM Cutting Head during the Track Record Period. The picture of TBM Cutting Head is included for reference purposes only.

(ii) *Specialised construction equipment*

Our specialised construction equipment consisted of the following:

Products	Supplier(s)	Capacity/ Size	Tunnelling/ Foundation projects	Functions	Price range during the Track Record Period (<i>Note 1 & 2</i>)
Dump Trucks	Belloli	32 tonnes (maximum load admitted)	Tunnelling	Transportation of loose materials	approximately HK\$2,349,000
Vibrators	PTC	39 to 58 kilograms 28/1,680 to 25/1,500 (vpm) (<i>Note 3</i>)	Foundation	Piling	approximately HK\$1,677,000 to HK\$1,777,000

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Notes:

- (1) As some of these products are manufactured according to the specific needs of our customers, price range of such products may vary significantly. Please refer to the paragraph headed “Business – Customers – Pricing policy” below for the pricing policy of the products supplied by us.
- (2) For the avoidance of doubt, transactions may be invoiced and/or settled in currencies other than Hong Kong dollars, but for illustration purpose only, the price range is presented in Hong Kong dollars equivalent and is rounded to a thousand Hong Kong dollars.
- (3) Vibrations per minute.

Dump trucks



PTC vibrators



M&L Custom-made Products

We supply M&L Custom-made Products primarily under our supply of fabricated construction steel works and equipment business.

These M&L Custom-made Products are of various sizes and functionalities, such as (i) blasting doors, cement grout mixing tank, steel bells, TBM turntables, thrust frame, tunnel brackets, tunnel segment grab and ventilation gantry for tunnelling projects; and (ii) drill string and RCD bit body for foundation projects.

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Following our customers' requests, we would conduct in-house research and development on (i) the feasibility, design and functionalities of a new product to derive a solution to cater for our customers' requirements; or (ii) improvement to existing product designs provided by our customer and sub-contracts the manufacturing process of these M&L Custom-made Products to the Fabricated Steel Factories. Our Directors believe that our research and development capability to develop practical engineering solutions for a wide range of situations is one of our key differentiators which set us apart from our competitors. Given our engineering solutions for M&L Custom-made Products are tailored to our customer's requirements and not manufactured in significant quantities, our Group has not registered any patents in respect of our designed M&L Custom-made Products.

Fabricated construction steel works



Steel bell



Thrust frame



Ventilation gantry



Blasting door

Inventory

During the Track Record Period, our inventory was primarily comprised of specialised cutting tools and parts for construction equipment and specialised construction equipment.

Our inventory is measured at the lower of cost and net realisable value. Costs, comprising purchases and other incidental costs, are determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Our Group does not make general provision for our inventory. It is our policy to make specific provision/write-off for our obsolete inventory, which is determined on a case-by-case basis. We monitor inventory

BUSINESS

level of the products supplied to us with a view to meeting the progress and demand from our clients. In general, (i) we purchase specialised cutting tools and parts for construction equipment from our suppliers two months ahead of the required delivery date set by our customers; and (ii) we purchase specialised construction equipment from our suppliers if our Directors believe that there is a leasing or sales opportunity which is likely to materialise in the foreseeable future.

Save for approximately HK\$0.8 million of long dated inventories primarily related to our supply of fabricated construction steel works and equipment business, our Group did not make any specific provision/write-off of inventories during the Track Record Period.

Leasing of specialised construction equipment

For the years ended 31 December 2015 and 31 December 2016, revenue derived from our leasing of specialised construction equipment to third parties amounted to approximately HK\$2.9 million and HK\$0.4 million, respectively. The specialised construction equipment leased during the Track Record Period are either owned by us or leased to us by our supplier. Our lease term with our customer during the Track Record Period ranged from approximately three weeks to thirteen months.

Our Group leased specialised construction equipment, including tunnelling specialised equipment such as specialised dump trucks and specialised foundation construction equipment such as RCD rig and PTC brand vibrators, to three customers during the Track Record Period to cater for the needs of our customers whose usage may not justify the purchase of such specialised construction equipment. In December 2016, we acquired three specialised dump truck for tunnelling projects, which are available for our leasing specialised construction equipment business.

While our leasing business can operate on a standalone basis from our other businesses, it also complements our supply of specialised construction equipment business as our customers, having leased our specialised construction equipment, may choose to purchase such equipment thereafter. With a view to making these leasing arrangements and the potential sale of the specialised construction equipment commercially attractive, we may offer to offset part of the lease payment, which can be up to 100% of the total lease payment, against the purchase price if our customers want to purchase the equipment so leased during or at the end of the leases.

Our Directors evaluate enquiries and where appropriate, enter into leasing transactions of our machinery and equipment with due care to ensure any leasing arrangements would not impair our supply of specialised construction equipment business.

Pre-sale services

Our pre-sale services and after-sale services are an important part of our Integrated Engineering Solutions. Our pre-sale services for tunnelling projects may include provision of advice on the deployment and application of specialised tunnelling equipment, TBM Disc Cutters and parts, as well as geological analysis and estimation of consumption of TBM Disc Cutters and parts from the tender stage. Our pre-sale services for foundation projects may include evaluation of client supplied soil strata analysis and standard penetration tests, assessment on the relevant vibration resilience and penetration amplitude, as well as advising on the selection and application of the appropriate size and type of specialised foundation equipment for the relevant construction works. Our Directors consider the abovementioned pre-sale services, as part of our Integrated Engineering Solutions, to be one of the differentiators which set us apart from our competitors and a key contributor for securing sales contracts, particularly in Hong Kong and Singapore.

After-sale services

Our after-sale services primarily consists of repair and maintenance services but also include technical support in respect of specialised tunnelling construction equipment, specialised foundation construction equipment, specialised cutting tools and parts to our customers. We have established professional technical services and maintenance teams in Hong Kong and Singapore to facilitate technical support, including service checks and ad hoc call out services. Typically, we offer repair and maintenance services to our customers who purchase specialised construction equipment, cutting tools and parts from us. Our repair and maintenance services ranged from trouble shooting services, routine servicing of specialised construction equipment, repair and rebuilding of cutting tools, installation and replacement of parts and consumables for specialised construction equipment.

Other value added services under the Integrated Engineering Solutions

As part of our Integrated Engineering Solutions, we also provide other value added services such as (i) ongoing advice, monitoring and assessment on the deployment, usage and functionality of the Branded Products supplied by us; and (ii) procurement and inventory management.

SUPPLIERS AND FABRICATED STEEL FACTORIES

Suppliers

Based on the demand of our customers under our contracts and/or purchase orders, we procure various cutting tools, parts and equipment from our suppliers primarily for our (i) supply of specialised cutting tools and parts for construction equipment business; and (ii) supply of specialised construction equipment business, which mainly consisted of Branded Products.

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The admission of suppliers is subject to assessment of their background (including track record, pricing and financial conditions) and the quality of their products.

During the Track Record Period, we had not experienced any material shortages or delay in the supply of Branded Products. For the sensitivity analysis in relation to the possible effects in changes in costs of specialised cutting tools and parts for construction equipment, please refer to the paragraph headed “Financial Information – Cost of sales” of this prospectus.

During the Track Record Period, we had rarely returned Branded Products to our suppliers due to significant quality defects and there was no material interruption to our business in this connection. For further details in relation our quality control procedures, please refer to paragraph headed “Business – Quality control and assurance” in this prospectus.

Our suppliers may grant us purchase discounts, rebates and/or commissions from time to time after arm’s length negotiation subject to factors including our purchase quantity, amount and sales performance. Such purchase discounts, rebates and/or commissions are deducted from our outstanding trade payables with the relevant supplier. The basis of such purchase discounts, rebates and/or commissions granted to us varies from supplier to supplier but would typically be based on one of the following (i) a percentage of purchases under a given purchase order and/or contract; (ii) a fixed amount related to a given purchase order; (iii) a fixed amount; or (iv) a percentage of purchase over a period.

The table below sets forth information related to purchase discount and/or rebate during the Track Record Period:

	For the year ended 31 December 2015	For the year ended 31 December 2016
Total purchase discount and/or rebate	Nil	HK\$5,966,000
Percentage of total purchase discount and/or rebate to total cost of sales	Nil	3.4%

For the year ended 31 December 2016, the total purchase discount and/or rebate amounted to approximately HK\$6.0 million which consisted of (i) approximately HK\$5.6 million purchase discount granted by Palmieri Group, representing approximately 3.9% of the total cost of sales attributable to Palmieri Group of approximately HK\$141.3 million; and (ii) approximately HK\$0.4 million rebate granted by Supplier D, representing approximately 1.9% of the total cost of sales attributable to Supplier D of approximately HK\$21.5 million. Each of Palmieri and Supplier D was our Group’s top five largest supplier for the year ended 31 December 2016. For the year ended 31 December 2015, none of our five largest suppliers granted us a purchase discount, rebate and/or commission.

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In connection with the major supplier-agency agreements and distributorship agreement (including the related purchase orders) entered into between our Group and our suppliers of our Branded Products which were in force as at the Latest Practicable Date and legally binding. We have set out their respective principal terms below:

(a) Tunnelling segment

Principal terms of the supplier-agency agreements between Palmieri and M&L (including the terms of the purchase orders)

	2015 Exclusive Agreement	2016 Exclusive Agreement
Duration of the agreement	20 years from the date of the agreement, being 28 May 2015 (the “ Term ”). Upon expiration of the Term, the agreement shall be renewed automatically for every successive term of five years (<i>Note 1</i>)	Five years from the date of the agreement, being 22 December 2016 (the “ Initial Term ”). Upon expiration of the Initial Term, the agreement shall be renewed automatically for every successive term of five years
Exclusivity	Exclusive for (i) Palmieri Tunnelling Products in the TP Territories (i.e. the PRC, Hong Kong, Taiwan, Indonesia, Singapore and Malaysia) and for the TP Customers; and (ii) the Palmieri Vertical Drilling Products in the VDP Territories (i.e. the PRC, Hong Kong, Taiwan, Indonesia, Singapore and Malaysia) (<i>Note 2</i>)	Exclusive for TBM products of not less than three meters in diameter in Australia and New Zealand
Sale and pricing policies	Relevant unit price of product, insurance and transportation cost will be discussed and mutually agreed under the respective purchase order or contract to be made from time to time depending on the types of product (<i>Note 3</i>)	Relevant pricing to be mutually agreed under the respective purchase order or contract to be made from time to time
Minimum purchase commitment	No minimum purchase commitment imposed to our Group (<i>Note 3</i>)	No minimum purchase commitment imposed to our Group

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**Principal terms of the
supplier-agency agreements
between Palmieri and M&L
(including the terms of the
purchase orders)**

	2015 Exclusive Agreement	2016 Exclusive Agreement
Payment and credit terms	Credit terms usually range from 60 to 90 days, subject to negotiation on a transaction by transaction basis (<i>Note 3</i>)	Not specified, subject to negotiation on a transaction by transaction basis
Conditions for terminating the agreement	Either party shall be entitled to terminate the agreement upon 90 days' written notice to the other party if the other party causes a fundamental breach of any term of the agreement and fails to remedy such breach within 90 days after a written request to remedy by the first-mentioned party has been made (<i>Note 3</i>)	Either party shall be entitled to terminate the agreement upon 90 days' written notice to the other party if the other party causes a fundamental breach of any term of the agreement and fails to remedy such breach within 90 days after a written request to remedy by the first-mentioned party has been made

Notes:

- (1) The Exclusive Agreements, which were superseded by the 2015 Exclusive Agreement entered into in May 2015, were in force for a period of one year and renewed automatically for subsequent periods indefinitely unless terminated.
- (2) Pursuant to the Exclusive Agreements, Palmieri has granted M&L exclusivity for (i) tunnelling and horizontal drilling equipment in Hong Kong and Taiwan; and (ii) the vertical drilling equipment in Hong Kong, the PRC and Taiwan.
- (3) No material differences from the terms of the Exclusive Agreements.

**Principal terms of the
supplier-agency
agreements/distributorship
agreements (including the
terms of the purchase orders)**

	Belloli	MEK (<i>Note 1</i>)
Duration of the agreement	Valid from 1 October 2013 until terminated	20 years from the date of the agreement, being 14 January 2016, upon expiration of which, the agreement shall be renewed automatically for every successive term of five years

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Principal terms of the supplier-agency agreements/distributorship agreements (including the terms of the purchase orders)

	Belloli	MEK (Note 1)
Exclusivity	Exclusive for Belloli brand dumper (DM3227) in Hong Kong, the PRC, Taiwan, Singapore, Malaysia, Thailand, Indonesia and Australia	Exclusive as the distributor for MEK products to be sold and delivered in the PRC, Hong Kong, Taiwan, Indonesia, Singapore, Malaysia, Australia and such other place(s) and territories as may be agreed in writing between MEK and M&L from time to time
Sale and pricing policies	Not specified, subject to negotiation on a transaction by transaction basis	The price for the supply of MEK products will be discussed and mutually agreed from time to time
Minimum purchase commitment	No minimum purchase commitment is imposed on our Group	No minimum purchase commitment is imposed on our Group
Payment and credit terms	The common payment term as set out in the purchase order is 30 days from delivery date	The common payment term as set out in the purchase order is that an upfront deposit is required from M&L and the balance of purchase price to be paid prior to delivery
Conditions for terminating the agreement	Either party can terminate the agreement on three months written notice	Either party shall be entitled to terminate the agreement upon 90 days' written notice to the other party if the other party makes a fundamental breach of any term of the agreement and fails to remedy such breach within 90 days after a written request to remedy by the first-mentioned party has been made

Note:

- (1) In about January 2016, Mr. Ng, Mr. Timothy Ng and Mr Cheung, each a Director, as vendors disposed of (i) their aggregate 35% equity interest of MEK; and (ii) their relevant shareholders' loan to Ms. Pierallini. For further details, please refer to the paragraph headed "History and Corporate Structure – Reorganisation – MEK Disposal" of this prospectus.

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Principal terms of the distributorship agreement

Supplier H

Duration of the agreement	Valid from 14 June 2016 to 31 December 2017, thereafter automatically extended on a yearly basis for an indefinite period and may be terminated, subject to the stipulated notice period (see “Conditions for terminating the agreement” in this table below).
Exclusivity	Exclusive distributor for products supplied by Supplier H for underground applications, limited to fans and dedusters for tunnel construction ventilation (the “ Supplier H Products ”), to be sold in the PRC, Hong Kong and Macau; non-exclusive distributor for the Supplier H Products to be sold in Taiwan, Singapore, Malaysia, Indonesia, Vietnam, Thailand, Brunei, Mongolia and Myanmar.
Sale and pricing policies	The Supplier H Products will be supplied by Supplier H to our Group on an ex-works basis. Unit price of product will be discussed and mutually agreed under the respective purchase order.
Minimum purchase commitment	No minimum purchase commitment is imposed on our Group.
Payment and credit terms	<p>Our Group shall pay 20% of the price at time of order and the balance within 60 days from the invoice date by irrevocable letter of credit confirmed and accepted by Supplier H’s bank.</p> <p>Alternative payment terms to be agreed subject to negotiation from project to project.</p>

BUSINESS

Principal terms of the distributorship agreement

Supplier H

Conditions for terminating the agreement

The agreement may be terminated upon agreement by both parties in writing. Notwithstanding the aforesaid, either party may terminate the agreement without cause by giving the other party not less than 60 days written notice.

In addition, either party may terminate the agreement immediately upon giving written notice to the other party if the other party enters into any arrangement or composition with its creditors, stops operating, or shows an intention to stop operating, its business, enters into liquidation or has a receiver appointed in respect of its assets or undertaking, or breaches any term of the agreement and subsequently fails to remedy such breach within 14 days after receipt of a written notice giving full particulars of the breach and requiring it to be remedied.

Warranty

Supplier H shall provide for a warranty period of 12 months from the date of shipment for electronic and electric parts and 24 months from the date of shipment for all other part of the Supplier H Products supplied.

Under such warranty, Supplier H shall provide parts free of charge ex-works to our Group which shall be responsible for all reasonable shipment costs.

As at the Latest Practicable Date, in addition to the abovementioned five exclusive supplier-agency/distributorship agreements for the tunnelling segment, our Group had also entered into an exclusive and legally binding supplier-agency agreement dated 11 May 2011 with Supplier A pursuant to which Supplier A has granted an exclusive right to our Group for the supply of (i) axial fans and accessories; (ii) dust collectors and accessories; and (iii) ventilation duct, in Hong Kong, the PRC and Taiwan. The agreement can be terminated by either parties on three months written notice in the first year of the term of this agreement and four months written notice thereafter.

Attributable to recent changes to senior management of Supplier A, Supplier A and our Group engaged in negotiations with respect to new terms to the supplier-agency agreement. However, as both parties are unable to agree to a set of new terms to the supplier-agency agreement, our Group has served a termination notice in January 2017 to Supplier A to terminate such agreement with effect from May 2017. Notwithstanding the termination of the exclusive supplier-agency agreement with Supplier A, our Directors intends to continue our business relationship with Supplier A.

BUSINESS

(b) Foundation segment

**Principal terms of the
exclusive distributorship
agreement entered between
PTC and M&L (including the
terms of the purchase orders)**

	For the PRC	For Hong Kong and Macau
Duration of the agreement	Valid from 15 August 2016 for a period of two years until 14 August 2018. It may be renewed for further period or periods after the two parties agree in writing. Any such renewal must be agreed at least 60 days prior to the date of termination of the agreement or any such period of extension.	Valid from 1 April 2017 for a period of two years until 1 April 2019. It may be renewed for further period or periods after the two parties agree in writing. Any such renewal must be agreed at least 60 days prior to the date of termination of the agreement or any such period of extension.
Exclusivity	<p>PTC, the principal, will notify M&L, the distributor, of any enquiries emanating from the territory and forward the enquiry for handling by our Group, as the distributor.</p> <p>In the event, our Group does not wish to provide a quotation. PTC reserves the right to do so after discussion with our Group.</p>	<p>PTC, the principal, will notify M&L, the distributor, of any enquiries emanating from the territory and forward the enquiry for handling by our Group, as the distributor.</p> <p>In the event, our Group does not wish to provide a quotation. PTC reserves the right to do so after discussion with our Group.</p>
Sale and pricing policies	<p>Not specified, subject to negotiation on a transaction by transaction basis</p> <p>For direct orders placed with PTC by companies other than our Group, a commission will be payable to our Group. Any change in the rate of commission will be discussed and mutually agreed on a case by case basis.</p>	
Minimum purchase commitment	No minimum purchase commitment is imposed on our Group	

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**Principal terms of the
exclusive distributorship
agreement entered between
PTC and M&L (including the
terms of the purchase orders)**

For the PRC

For Hong Kong and Macau

Payment and credit terms

Not specified, subject to negotiation on a transaction by transaction basis.

Commission will be payable 15 days after PTC has received payment in full from the customer except in the case of instalment payments where our Group will receive commission on a pro-rata basis.

Payment will be by irrevocable letter of credit at sight or by telegraphic transfer or by other terms that need to be agreed between two parties on a case by case basis.

PTC is required to deliver the products to our Group on a CIF basis.

Conditions for terminating the
agreement

If either party does not rectify, to the satisfaction of the other party, any failure to perform and observe any of the terms and conditions of the agreement or other breach, within 30 days of receiving notice thereof, the other party may terminate the agreement by notice.

Either party may terminate the agreement by notice of 60 days, in the event of dissolution, insolvency or bankruptcy of the other party.

Warranty

Full warranty of 12 months after delivery on all relevant products. Warranty includes the supply of replacement components and technical assistance if necessary, but does not cover wear and tear and consumable items.

**Principal terms of the
supplier-agency
agreements/distributorship
agreements (including the
terms of the purchase orders)**

Soiltek S.R.L.

Supplier B

Duration of the agreement

Valid from 16 April 2014 for an indefinite period and may be terminated, subject to the stipulated notice period (see “Conditions for terminating the agreement” below).

Valid from 1 January 2016 for a period of 10 years until 31 December 2025, which may be renewed for further period or periods after the two parties agree in writing.

BUSINESS

**Principal terms of the
supplier-agency
agreements/distributorship
agreements (including the
terms of the purchase orders)**

	Soiltek S.R.L.	Supplier B
Exclusivity	Exclusive for drilling rigs (the “ Soiltek Products ”) in Hong Kong, the PRC, Taiwan, Singapore and Malaysia.	Exclusive distributor for sales, marketing and distribution of all products manufactured by Supplier B from time to time in Hong Kong, the PRC and Macau.
Sale and pricing policies	<p>A commission shall be payable to us on all sales of Soiltek Products and spare parts or accessories, to customers situated in the exclusive territories.</p> <p>A commission shall be payable to us for direct sales between the supplier and its customers in the exclusive territories.</p> <p>Unit price of product (exclusive of tax) is set out under the purchase order.</p>	Unit price of product will be discussed and mutually agreed by the parties from time to time.
Minimum purchase commitment	At least one drilling rig during any period of 12 months.	No minimum purchase commitment is imposed on our Group.
Payment and credit terms	The supplier shall pay the commission due not later than the end of the month following the quarter in which the commission has become due, and in any case after receipt of payment from the customer.	<p>Payment for the products shall be made to Supplier B before shipment for orders confirmed.</p> <p>The purchase price shall be inclusive of the transportation cost and insurance coverage.</p>
	For the purchase price of products, an upfront deposit is required from our Group and the balance is to be paid to the supplier prior to delivery.	

BUSINESS

**Principal terms of the
supplier-agency
agreements/distributorship
agreements (including the
terms of the purchase orders)**

Soiltek S.R.L.

Supplier B

Conditions for terminating the agreement

In the event that the “Minimum purchase amount” within the stipulated time period is not fulfilled, the supplier is entitled to terminate the agreement by giving three months’ notice.

The contract can be terminated by either party by serving a notice of one month during the first year of the contract and an additional month for each full year the agreement has been valid for (i.e. two months’ notice after the second year has commenced), up to a maximum of six months.

If either party does not rectify, to the satisfaction of the other party, any failure to perform and observe any of the terms and conditions of this agreement or other breach, within 30 days of having notice thereof, the other party may terminate the agreement forthwith by notice.

Either party may terminate the Agreement forthwith by notice of 60 days, in the event of dissolution, insolvency or bankruptcy of the other party.

Warranty

We shall, at the cost of the supplier, during the warranty period with authorisation of the supplier, provide repair services on the products located in the exclusive territories.

Three months warranty after delivery and date of operation of the products by our customers. Warranty includes the supply of replacement components and technical assistance if necessary but excludes all wear and tear and consumable items.

Fabricated Steel Factories

During the Track Record Period, our Group sub-contracted the production of our M&L Custom-made Products to the Fabricated Steel Factories which are situated in Guangdong Province, the PRC. In general, the Fabricated Steel Factories source the relevant raw materials directly, which primarily consists of steel.

During the Track Record Period, the M&L Custom-made Products supplied by our Group consisted solely of the fabricated construction steel works produced by the Fabricated Steel Factories. For the years ended 31 December 2015 and 31 December 2016, our purchases from the Fabricated Steel Factories amounted to approximately HK\$45.4 million and HK\$21.5 million, respectively, representing approximately 19.3% and 12.3%, respectively, of our cost

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of sales for the same year. No revenue was generated from the sale of M&L Custom-made Products made from raw materials supplied by Palmieri produced by the Fabricated Steel Factories during the Track Record Period.

We have engaged the two Fabricated Steel Factories for the production of our M&L Custom-made Products since 2010 and 2015, respectively. During the overall selection process of the Fabricated Steel Factories, our Directors considered the following factors, including factory scale, factory facilities and equipment quality, manufacturing capabilities and experience, production capacity and location, and we have continued to monitor their performance and evaluate the quality of their works and products. In addition, we will take into consideration the competences, skill sets and facilities of the respective Fabricated Steel Factories prior to engaging a Fabricated Steel Factory to manufacture a product.

During the Track Record Period, there was no material product return from our customers related to M&L Custom-made Products supplied by the two Fabricated Steel Factories. With a view to controlling our cost of sales of M&L Custom-made Products, for products which both Fabricated Steel Factories have expertise in manufacturing, we may obtain quotations from both Fabricated Steel Factories for comparison purposes prior to placing a purchase order. We have entered into purchase framework agreements (which are legally binding) with each of the Fabricated Steel Factories, the major terms of which are as follows:

Purchase framework agreement and purchase order with the Fabricated Steel Factories

(i) Scope

The purchase framework agreement sets out the broad terms agreed by our Group and the respective Fabricated Steel Factory in connection with the purchase of M&L Custom-made Products. From time to time, our Group may request quotations and place purchase orders (subject to acceptable quotation) with the relevant Fabricated Steel Factory for specified products. For typical information set out in a purchase order, please refer to sub-paragraph “(v) Purchase order” below.

(ii) Duration

The term of the agreement is for the period from 1 June 2016 to 30 June 2017, which has been further extended to 30 June 2018. Upon expiration of the term, if both parties agree, they may enter into a new purchase framework agreement.

(iii) Pricing, payment and credit terms

Detailed pricing, payment and credit terms are set out in the respective purchase orders and invoices. Credit terms ranged from payment on delivery to 30 days after delivery of goods. The purchase framework agreement does not contain any pricing policy for the M&L Custom-made Products. Our Group may obtain quotations from the Fabricated Steel Factories prior to placing a purchase order, subject to discussion and negotiation on a transaction by transaction basis.

(iv) Other terms

- (1) Our Group shall be entitled to provide to the Fabricated Steel Factories raw materials for the production of the M&L Custom-made Products.
- (2) The purchase framework agreement does not contain any minimum purchase requirement.
- (3) The Fabricated Steel Factories agree that the M&L Custom-made Products shall be brand new and complete without damage and meet with the agreed quality standards. Our Group shall be entitled to conduct site visits to the Fabricated Steel Factories to monitor the production processes and inspect the M&L Custom-made Products.
- (4) Our Group shall be entitled to terminate the purchase framework agreement in the event, among other things, that: (a) the Fabricated Steel Factories refuse to supply the M&L Custom-made Products in accordance with the purchase orders; (b) the M&L Custom-made Products fail to meet the required quality standards, thereby causing damages to our Group; (c) our Group cancels or terminates one or more purchase orders due to the default of the Fabricated Steel Factories; or (d) the product quality testing report, samples or technical parameters (even after rectification) are different from those agreed to by the Fabricated Steel Factories.
- (5) The Fabricated Steel Factories shall keep confidential all our commercial secrets (e.g. design, specification and cost of production of the products). The Fabricated Steel Factories shall also ensure the products manufactured comply with our specifications, and be responsible for all losses arising from any defective products.

(v) Purchase order

Our purchases from the Fabricated Steel Factories are conducted through purchase orders, which include quantity, unit rate, description of the products, such as (where applicable) size and dimensions, steel grade required, delivery date, payment terms and any specified terms set out therein.

Our Directors believe that subcontracting fabricated steel production enables us to make use of the expertise and production competency of each of the Fabricated Steel Factories which can optimise production.

Our Directors confirmed that, as at the Latest Practicable Date, the Fabricated Steel Factories (or their holding companies, where applicable) were Independent Third Parties and that none of our Directors, their respective close associates nor our Shareholders (who, to the knowledge of our Directors, owned more than 5% of our issued share capital) had any interests in any of the Fabricated Steel Factories.

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Top five largest Suppliers

For the years ended 31 December 2015 and 31 December 2016, (i) our largest supplier accounted for approximately 75.0% and 81.1% of our cost of sales, respectively; and (ii) our five largest suppliers accounted for approximately 98.2% and 96.9% of our cost of sales, respectively. We have maintained business relationships with our five largest suppliers ranged from three to 19 years.

For Branded Products purchases, invoices are normally settled by telegraphic transfer mainly in Euro. In connection with the purchases of M&L Custom-made Products, we normally settle invoices by telegraphic transfer in HKD. Our suppliers normally grant 30 to 90 days credit period to our Group.

The following table sets out a summary of our top five largest suppliers (including the Fabricated Steel Factories) during the Track Record Period:

For the year ended 31 December 2016

Rank	Suppliers/ Fabricated Steel Factories	Cost of sales attributable to the supplier/ Fabricated Steel Factory (HK\$'000)	Approximate percentage to the cost of sales of our Group (%)	Principal business activities of suppliers/ Fabricated Steel Factories	Types of products supplied	Credit terms	Business with our supplier commenced since
1	Palmieri Group	141,253 (Note)	81.1	Manufacturing of cutting tools	Branded Products	60-90 days	1998
2	Supplier D	21,473	12.3	Manufacturing of steel products	M&L Custom- made Products	0-30 days	2010
3	Supplier B	3,295	1.9	Manufacturing of hammer and bit	Branded Products	Prior to shipment	2006
4	Supplier A	2,315	1.3	Manufacturing of fans and ventilation products	Branded Products	0-60 days	2012
5	PTC Piling Equipment (Far East) PTE Ltd.	440	0.3	Manufacturing of vibrodrivers	Branded Products	Transaction basis	2010

Note: This amount is inclusive of purchases made by our Group from MEK (including Palmieri (China)) which amounted to approximately HK\$5.9 million.

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For the year ended 31 December 2015

Rank	Suppliers/ Fabricated Steel Factories	Cost of sales attributable to the supplier/ Fabricated Steel Factory (HK\$'000)	Approximate percentage to the cost of sales of our Group (%)	Principal business activities of suppliers/ Fabricated Steel Factories	Types of products supplied	Credit terms	Business with our supplier commenced since
1	Palmieri Group	176,799 (Note)	75.0	Manufacturing of cutting tools	Branded Products	60-90 days	1998
2	Supplier D	45,431	19.3	Manufacturing of steel products	M&L Custom- made Products	0-30 days	2010
3	PTC Piling Equipment (Far East) PTE Ltd.	5,340	2.3	Manufacturing of vibrodrivers	Branded Products	Transaction basis	2010
4	Belloli	2,491	1.1	Manufacturing of machinery and material for tunnel construction	Branded Products	30 days	2014
5	Supplier E	1,200	0.5	Manufacturing of ventilation tubes	Branded Products	30 days	2014

Note: This amount is inclusive of purchases made by our Group from MEK (including Palmieri (China)) which amounted to approximately HK\$14.8 million.

Our Directors confirmed that, as at the Latest Practicable Date, the five largest suppliers of our Group during the Track Record Period were Independent Third Parties and that none of our Directors, their respective close associates nor our Shareholders (who, to the knowledge of our Directors, owned more than 5% of our issued share capital) had any interests in any of our Group's five largest suppliers. Our Directors consider that our Group has established working relationships with our key suppliers.

Our largest supplier – Palmieri Group

Purchases from Palmieri Group accounted for approximately 75.0% and 81.1% of our cost of sales for the years ended 31 December 2015 and 31 December 2016, respectively. Sales derived from products supplied by Palmieri Group contributed over 75.0% of our revenue and gross profit for the Track Record Period. During the Track Record Period, most of our purchases from Palmieri Group were related to specialised cutting tools and parts for construction equipment for tunnelling projects. For risks relating to our reliance on our largest supplier, Palmieri Group, please refer to the paragraph headed "Risk Factors – Risks relating to our business and our industry" in this prospectus.

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Palmieri is a joint stock company incorporated in Italy in 1986 and engages in the manufacturing and sales of, among others, tunnelling and drilling related equipment such as TBM equipment and parts, micro-tunnelling equipment and parts, with applications on projects related to railways, roads, sewer and storm water infrastructures, hard rock and coal mining, foundation drills and raise boring.

In respect of specialised tunnelling construction equipment, cutting tools and parts, Palmieri Group focuses on, among others, the manufacturing of the following products which are supplied to our Group:

- TBM Disc Cutters and tools;
- micro tunnelling disc cutters for excavation of tunnels; and
- roller cutters for diaphragm wall applicable to foundation projects.

The Palmieri Group works with more than 10 sales agents in over 20 countries worldwide.

Our business relationship with Palmieri commenced in 1998. At that time, Palmieri intended to expand its business into Hong Kong, the PRC, Singapore and other Southeast Asian countries without the need to commit a substantial investment of its capital and wished to keep a minimum overseas cost base. To the best of the Directors' knowledge, information and belief, at that time, Palmieri did not have a sales team, nor any direct sale channels and did not engage a sales agent in the aforesaid geographies. Our Directors believed that our Group's setup, customer network, local expertise and knowledge in the specialised construction equipment industry were able to complement Palmieri's business back then. Consequently, Palmieri and our Group entered into the Exclusive Agreements in June 1998, pursuant to which our Group was appointed as Palmieri's exclusive agent.

As at the Latest Practicable Date, we were a principal international exclusive sales agent and representative of Palmieri for (i) the Palmieri Tunnelling Products in the TP Territories and the Palmieri Vertical Drilling Products in the VDP Territories; and (ii) TBM products of not less than three meters in diameter in Australia and New Zealand.

In May 2015, Palmieri and M&L entered into the 2015 Exclusive Agreement to replace the Exclusive Agreements. The principal terms of the Exclusive Agreements and the 2015 Exclusive Agreement under the aforesaid paragraph headed "Business – Suppliers and Fabricated Steel Factories" are materially the same, save for (i) the duration of the Exclusive Agreements which was in force for a period of one year and renewed automatically for subsequent periods indefinitely unless terminated; and (ii) the exclusivity on the geographical locations.

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With a view to offering an alternative solution by supplying certain Palmieri brand products with a shorter delivery time to cater primarily for our PRC based customers, our Group has sourced various Palmieri brand products from MEK (being a non-wholly owned subsidiary of Palmieri as at the Latest Practicable Date). To strengthen this ongoing relationship, on 14 January 2016, M&L and MEK entered into the MEK Exclusive Distribution Agreement for the MEK products, all of which are products of the Palmieri brand.

Subsequently, on 22 December 2016, we entered into the 2016 Exclusive Agreement with Palmieri in respect of TBM products of not less than three meters in diameter in Australia and New Zealand for an initial term of five years.

There is no minimum purchase requirement imposed on us or any commitment by Palmieri to provide minimum supply to our Group under the 2015 Exclusive Agreement or the MEK Exclusive Distribution Agreement. The salient terms of the 2015 Exclusive Agreement, the 2016 Exclusive Agreement and the MEK Exclusive Distribution Agreement are summarised under the paragraph headed “Business – Suppliers and Fabricated Steel Factories – suppliers” in this prospectus.

To the best of the Directors’ knowledge, information and belief having made reasonable enquiries, there has not been any material breach by the relevant contractual parties of (i) the Exclusive Agreements; (ii) the 2015 Exclusive Agreement; (iii) the 2016 Exclusive Agreement; and (iv) the MEK Exclusive Distribution Agreement since the respective effective dates of the aforesaid agreements up to and including the Latest Practicable Date.

Reasons for mutual and complementary reliance

Our Directors are of the view that our reliance on Palmieri as our largest supplier is mainly attributable to the following reasons:

- There are a number of international TBM or TBM Disc Cutters manufacturers operating in the tunnelling sector. Some of which primarily focus on the manufacturing of TBMs or TBM Disc Cutters or a combination of both.

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Substitutes of the Palmieri brand products with similar quality and custom design capability are available but, as advised in Ipsos Report, there is only a limited number of sizeable manufacturers operating in this niche market and it is neither commercially appropriate nor feasible for our Group to pursue a supplier-agent relationship with other international TBM Disc Cutter manufacturers which could expose our Group to undue risks because of the combinative effect of the following factors:

- (i) these manufacturers of the comparable tunnelling products and drilling products, being competitors of Palmieri, are unlikely to appoint our Group as their sales agent (on an exclusive or non-exclusive basis) considering our Group's existing supplier-agent relationship with the Palmieri Group as (a) such engagements would involve the exchange of trade sensitive information (including pricing, usage and design of tunnelling products and drilling products) which could be perceived to impair their competitive advantage in the market; and (b) may give rise to potential conflict of interest issues;
- (ii) a number of the sizeable TBM Disc Cutter manufacturers have direct sale channels and therefore do not need to conduct sales through agents;
- (iii) even in the unlikely event that the barriers set out under (i) and (ii) above can be overcome, our Group will have to invest additional time, human resources and working capital up front to develop such new supplier-agent relationship without any assurance that the additional earnings arising from such supplier-agent relationship would exceed our resources invested together with any decrease in profit from the supply of Palmieri brand products as a result. On this basis, our Directors are of the view that such resources can be better utilised in other parts of our Businesses; and
- (iv) as our Group acts as Palmieri's exclusive sales agent and representative (a) for the Palmieri Tunnelling Products in the TP Territories and Palmieri Vertical Drilling Products in the VDP Territories pursuant to the 2015 Exclusive Agreement; and (b) in respect of TBM products of not less than three meters in diameter in Australia and New Zealand pursuant to the 2016 Exclusive Agreement, establishing supplier-agent relationship with other international TBM and TBM Disc Cutter manufacturers which might be direct competitors of Palmieri is likely to adversely affect our Group's long standing relationship with Palmieri and may lead to the loss of our exclusivity, or worse, termination of our supplier-agent relationship with Palmieri in the long run.

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Mutual benefits between our Group and Palmieri

- Our Group is a principal international exclusive sales agent of Palmieri for certain Palmieri brand products. Given the long-established supplier-agent relationship between our Group and the Palmieri which dated back to the late 1990s, our Directors consider that there is mutual reliance between our Group and Palmieri, given that:
 - (i) our Group has a pivotal role as the exclusive agent in Palmieri's sale of Palmieri Tunnelling Products and Palmieri Vertical Drilling Products into various Southeast Asian countries since the late 1990s;
 - (ii) our Directors believe the long term and established business relationship with Palmieri would enable us to better understand the strengths and challenges faced by Palmieri and through our cooperation over the years, our Group is able to complement their ongoing operations;
 - (iii) our extensive customer network and relationships with main contractors in construction sector in various Southeast Asian countries and the PRC has extended the reach of various Palmieri products to the aforesaid geographies;
 - (iv) our Directors are not aware of other TBM Disc Cutter suppliers/agents who are not a TBM manufacturer offering similar services to our Integrated Engineering Solutions in Hong Kong and Singapore, which is considered to be a key product differentiator of our Group against our competitors. On this basis, it is considered that Palmieri is unlikely to be able to engage another agent offering our Integrated Engineering Solutions (or similar services) in Hong Kong and Singapore with a similar level of reach to our customer network;
 - (v) based on the financial statements for the two years ended 31 December 2014 and 2015 provided by Palmieri which have been reviewed by professional accounting firms in Italy and filed with the Chamber of Commerce of Italy and the unaudited financial information for the year ended 31 December 2016 provided by Palmieri, and to the best of the Directors' knowledge, information and belief having made reasonable enquiries, the revenue of Palmieri amounted to approximately EUR41.1 million, EUR50.0 million and EUR48.3 million for the years ended 31 December 2014, 2015 and 2016, respectively. On this basis and based on information provided by Palmieri, our purchases from Palmieri accounted for a substantial proportion, being more than 30% of Palmieri's revenue during each of the years ended 31 December 2014, 2015 and 2016. It was further noted that for each of the three years ended 31 December 2014, 2015 and 2016, Palmieri recorded a net profit. As at 31 December 2016, the unaudited net asset value of Palmieri was no less than EUR50.0 million; and

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- (vi) with our purchases contributing a significant proportion of Palmieri's revenue, our Group is well-positioned to negotiate for competitive prices for Palmieri supplied products, while Palmieri would benefit from economies of scale.

Based on the foregoing, our Directors considered that our success has a positive impact on the result of operations and business performance of Palmieri Group and thus, the business relationship with Palmieri Group is beneficial to each other.

Measures to reduce reliance

- (i) *Expansion of our fabricated construction steel works and equipment business and ancillary services*

Our Group intends to further develop our fabricated construction steel works and equipment business by further leveraging on our existing capability to provide related engineering solutions and applying approximately 41.0% of our net proceeds from the Share Offer towards the establishment of a new fabricated construction steel factory in the PRC with a view to manufacturing Technically More Complex M&L Custom-made Products. For further information on the new fabricated construction steel factory, please refer to the paragraph headed "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus.

It is the intention of our Group to utilise the capacity of the new fabricated construction steel factory, when in operation, to serve the wider needs of the growing customer base of our Group as well as new customers for the supply of fabricated construction steel works and equipment. The new fabricated construction steel factory will primarily focus on the manufacturing of M&L Custom-made Products, which are more machinery-oriented and sophisticated for our customers in Hong Kong, the PRC and other existing geographic locations served by our Group for both tunnelling and foundation segments.

In connection with the expansion of our ancillary services, our Group intends to utilise approximately 14.1% of the net proceeds to expand our repair and maintenance services in the PRC for tunnelling projects by setting up a Disc Cutter repair centre and expand our mobile technical services and maintenance team.

In addition, we have expanded our Group's supply and leasing of specialised construction equipment business through the acquisition of three specialised dump trucks for tunnelling projects in December 2016 with a view to building a fleet of tunnelling dump trucks, which are available for our leasing of specialised construction equipment businesses in Hong Kong.

Notwithstanding that limited revenue was derived from non-Palmieri products during the Track Record Period and our Directors do not expect the fabricated construction steel factory to bring substantial increase in revenue in the short-term,

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our Directors consider the establishment of our own fabricated construction steel factory and Disc Cutter repair centre to be of strategic importance, in particular for the relatively fragmented TBM Disc Cutter market in the PRC, as it will facilitate us to (i) expand our product offerings, which shall in turn better position us to compete against our competitors for new customers as well as retaining existing customers as we strive to provide more comprehensive one stop Integrated Engineering Solutions; and (ii) broaden our revenue base through the increased product offerings as well as via cross selling our other non-Palmieri products and services. Through attaining the above objectives, we would satisfy our customers' broader needs which would in turn cultivate increased customer loyalty in the longer term. Therefore, the aforementioned expansion of our existing businesses is expected to increase our revenue derived from the supply of non-Palmieri, particularly M&L Custom-made Products, in the mid- to long-term, thereby reducing our reliance on Palmieri over time. During the year ended 31 December 2015, we derived revenue of approximately HK\$56.8 million from the supply of fabricated construction steel works and equipment and approximately HK\$8.2 million from the provision of ancillary services. During the year ended 31 December 2016, we derived revenue of approximately HK\$29.4 million from the supply of fabricated construction steel works and equipment, and approximately HK\$10.3 million from the provision of ancillary services.

(ii) Expansion of our supply of Branded Products

As set out under the paragraph headed "Business – Suppliers and Fabricated Steel Factories" in this prospectus, save for the 2015 Exclusive Agreement and the 2016 Exclusive Agreement entered into between our Group and Palmieri, our Group has also entered into exclusive supplier-agency agreements/distributorship agreement (territories specified) with, among others, (a) Belloli, in respect of certain dump trucks bearing the "Belloli" brand; (b) PTC, for all products manufactured by PTC including PTC vibrators and vibrolances; (c) Soiltek S.R.L., in respect of its drilling rigs; and (d) Supplier B, in respect of all products manufactured by Supplier B including down-the-hole hammer and bit for foundation projects. For further details, please refer to paragraph headed "Business – Suppliers and Fabricated Steel Factories – Suppliers" above.

For the years ended 31 December 2015 and 31 December 2016, our revenue derived from the supply of Branded Products (excluding Palmieri brand products) amounted to approximately HK\$10.4 million and HK\$10.8 million, respectively.

(iii) Overall

For the years ended 31 December 2015 and 31 December 2016, we have derived revenue (other than the supply of Palmieri products and services) from (a) the supply of our M&L Custom-made Products of approximately HK\$56.8 million and HK\$29.4 million, respectively; (b) the supply of Branded Products of approximately HK\$10.4 million and HK\$10.8 million, respectively; and (c) the provision of ancillary services of approximately HK\$7.8 million and HK\$9.7 million, respectively.

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On this basis, the aggregate revenue derived from our supply of products and services (other than the supply of Palmieri products and services) accounted for approximately 24.2% and 20.2%, respectively, of our revenue for the years ended 31 December 2015 and 31 December 2016. Going forward, our Group intends to continue increasing our revenue from the supply of non-Palmieri products services with a view to reduce our reliance on the Palmieri Group.

Views of our Directors and Sponsor

Given (i) our Group is Palmieri's exclusive sales agent and representative for Palmieri Tunnelling Products in the TP Territories and Palmieri Vertical Drilling Products in the VDP Territories; (ii) substitutes of Palmieri brand products with similar quality and custom design capability are available, but as there are only a limited number of sizeable manufacturers operating in this niche market, it is neither commercially appropriate nor feasible for our Group to pursue a supplier-agent relationship with other international TBM Disc Cutter manufacturers which could expose our Group to undue risks; (iii) our Directors are not aware of other TBM Disc Cutter suppliers/agents who are not a TBM manufacturer offering similar services to our Integrated Engineering Solutions in the TP Territories, which is considered to be a key product differentiator of our Group against our competitors; (iv) the long established relationship with the Palmieri Group is mutually beneficial to both parties; and (v) our Group, through our Integrated Engineering Solutions business model, offers a range of services and other products, such as, fabricated construction steel works and equipment, other non-Palmieri specialised construction equipment, and ancillary services such as leasing of specialised construction equipment and repair and maintenance services, our Directors are of the view that we will be able to manage the risk of reliance on the Palmieri Group while seizing growth opportunities in the relevant markets by adopting the measures described above and implementing the strategies as set out under the paragraph headed "Business – Business Strategies" in this prospectus. Accordingly, the Sponsor concurs with our Directors' view that our reliance on the Palmieri Group would not have a material adverse impact on our Group's suitability for Listing.

QUALITY CONTROL AND ASSURANCE

Our Directors are of the view that the quality of the products supplied by us has been one of the key contributing factors to our success, which is also crucial to our future prospects. In this regard, we have implemented the following quality control procedures in respect of Branded Products and M&L Custom-made Products.

Branded Products

For Branded Products, our Group, together with our customers, will conduct inspections on the incoming products (i) upon the delivery of specialised cutting tools and parts for construction equipment and check the details of the product batch against those as set out in the delivery order; and/or (ii) prior to committing to a purchase and/or upon delivery of a

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particular specialised construction equipment to check its existing status, specifications, functionalities and performance. In addition, we would request our suppliers to provide quality certificates on the relevant products. At the request of our customers, we would also engage an external consultant to test the relevant Branded Products.

Palmieri, the largest supplier of our Group, has ISO 9001:2008 accreditation for the design, manufacturing and refurbishment of tools, machines and equipment for rock tunnelling and drilling. In addition, member(s) of our Board/senior management visit Palmieri's factories in Italy and engage in dialogues with Palmieri's management with a view to, among others, ensuring the quality control procedures in place are effective, resolving any outstanding quality related issues in a timely manner and discuss possible improvement on quality control procedures (where necessary) from time to time.

For other major suppliers of our Group, we also monitor their quality control procedures implemented to ensure that they are operating effectively through site visits and meetings with their management periodically. Product quality related issues are dealt with through liaison with the relevant personnel of our suppliers.

Product returns and warranty

In connection with the consumable Branded Products supplied by us, we do not offer product warranty, but we would typically liaise with the relevant supplier on behalf of our customers for product returns or rectifications of defective products. We did not make any refunds for nor recall any defective products sold to our customers during the Track Record Period. For non-consumable Branded Products, we typically provide a warranty period (excluding labour warranty) of 12 months. At the same time, such product would typically also be under warranty for the same duration from our supplier, typically 12 months.

During the Track Record Period, we did not encounter major quality control issues with our customers nor experience any material sales returns.

M&L Custom-made Products

Mr. Cheung, being the director of our fabricated construction steel works division, is responsible for overseeing quality controls and production controls conducted by the Fabricated Steel Factories. From time to time, members of our design and development team as well as Mr. Cheung will conduct periodic site visits to the Fabricated Steel Factories to monitor the production processes.

Our Directors confirm that quality control procedures have been established throughout the production process so as to ensure that the quality of M&L Custom-made Products are manufactured with consistency and reliability, and meet the specifications as set by our customers. Welding tests and specification checks are conducted by us at the Fabricated Steel Factories in accordance with our internal control manual to assess the strength and ensure the specifications of the end product meet the requirements before delivery to our customers. We

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also have a designated employee stationed at the relevant Fabricated Steel Factory to monitor their operations when required. In addition, at the request of our customers, an independent surveyor may be engaged to perform welding tests on finished products and our customers would review welding certificate issued prior to the delivery of our products.

Product returns and warranty

In connection with M&L Custom-made Products supplied by us, we do not typically offer (i) product warranty, but we would offer incidental repair and maintenance services to our customers; or (ii) product exchange for any defective products sold to our customers. During the Track Record Period, we did not encounter major quality control issues with our customers nor experience any major sales returns.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant quality defects or product claims, refunds or returns from our customers in respect of the products supplied by us, which materially and adversely affected our financial condition nor any material complaint about product quality from our customers.

Ancillary services

In connection with our leasing services, we conduct inspections to ensure that our leased specialised construction equipment is functional without material defects when such equipment is returned by our customers at the end of the lease period. Our Group, as the lessor, is required to maintain relevant insurance cover for the leased specialised construction equipment during the lease period. In connection with our repair and maintenance services, we conduct various tests on the repaired products which is tailored to each type of product.

SALES AND MARKETING

Our senior management team, supported by our sales and engineering solutions team, devotes significant effort in our Group's sales and marketing activities including keeping abreast of government policies and plans, monitoring of the development of potential projects in the public and private sectors, maintaining contact with past customers, contractors and tunnelling and foundation sector market participants, participating in international trade fairs such as the bi-annual Bauma China trade fair for construction machinery, building material machines, mining machines and construction vehicles in which we have attended as an exhibitor since 2004.

We normally set out principal terms, including the pricing of our supplied products in the form of quotations or tenders to our customers. Requests for price quotation or referrals to tender for projects in the tunnelling and foundation sector are largely from word-of-mouth, expertise, reputation, established track record and past job references, rather than through advertising and/or promotion. On this basis, we focus our efforts on delivering quality Integrated Engineering Solutions to our customers and maintaining existing relationships with market participants, our existing and past customers in the construction industry to explore potential business opportunities.

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Quotation

From time to time, we may be requested to provide a quotation to potential customers. Our senior management team, supported by our sales and engineering solutions team, are responsible for preparing quotations. In preparing a quotation, we would typically consider factors such as, products, specifications and requirements, and delivery schedule (where applicable). In turn, our potential customers may include information provided by us in their tender where considered appropriate. We generally prepare our quotation based on our estimated costs plus a certain mark-up margin. Our quotation generally contains a price list which sets out the unit price for the respective products.

For the years ended 31 December 2015 and 31 December 2016, revenue derived from contracts sourced through our quotations accounted for approximately 99.0% and 98.3%, respectively.

Tender

We may source contracts through tenders. We are often required to follow a tendering process prescribed by the tenderer. Similar to the preparation of quotations, we would typically consider factors such as, products, specifications and requirements, as well as delivery schedule. Our submission of tender would typically include a price list with unit price for the respective products which would be based on our estimated costs plus a certain mark-up margin. For the years ended 31 December 2015 and 31 December 2016, revenue derived from our tender contracts accounted for approximately 1.0% and 1.7% of our total revenue, respectively. Our Group submitted a total of 12 tenders during the Track Record Period, 50% of which were successfully awarded to us.

Our business is not generally seasonal in nature. We may offer volume discounts on products supplied by us from time to time.

CUSTOMERS

For the years ended 31 December 2015 and 31 December 2016, our Group's largest customer accounted for approximately HK\$116.6 million and HK\$75.8 million, respectively, representing approximately 37.6% and 30.7% of our revenue, respectively. Sales to our Group's five largest customers for the same periods totalled to approximately HK\$233.1 million and HK\$204.9 million, respectively, representing approximately 75.2% and 82.8% of our revenue, respectively.

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The following information sets out the profile of the top five customers for the Track Record Period:

For the year ended 31 December 2016

Name of customer	Tunnelling/ Foundation projects	Revenue attributable to the customer (HK\$'000)	Approximate percentage to revenue of our Group (%)	Principal business of our customer	Credit terms	Business with our customer commenced since (Note)
Customer A	Tunnelling	75,818	30.7	Railway construction	Nil-180 days	2011
Customer B	Tunnelling and Foundation	69,988	28.3	Construction and engineering services	30 days	2003
Customer C	Tunnelling	25,219	10.2	Plant construction	45 days	2015
Customer D	Tunnelling	20,871	8.4	Railway construction	Nil-180 days	2009
Customer E	Tunnelling	13,001	5.3	Railway construction	60 days	2015

For the year ended 31 December 2015

Name of customer	Tunnelling/ Foundation projects	Revenue attributable to the customer (HK\$'000)	Approximate percentage to revenue of our Group (%)	Principal business of our customer	Credit terms	Business with our customer commenced since (Note)
Customer B	Tunnelling and Foundation	116,623	37.6	Construction and engineering services	30 days	2003
Customer A	Tunnelling	42,726	13.8	Railway construction	Nil-180 days	2011
Customer D	Tunnelling	36,237	11.7	Railway construction	Nil-180 days	2009
Customer C	Tunnelling	23,072	7.4	Plant construction	45 days	2015
Customer F	Tunnelling	14,411	4.6	Construction and engineering services	40 days	2014

Note: Save for Customer B whom our Group did not have a transaction with in 2009 to 2011, our Group had transactions with all of the above our top five customers each year since the respective commencement of our initial business relationship with each of them.

All of the revenue derived from our top five largest customers during the Track Record Period was related to tunnelling projects in Hong Kong, the PRC or Singapore. During the Track Record Period, our customers in the tunnelling and foundation segment were typically main contractors or sub-contractors. Our Group also supply products and services to our customers for foundation projects in Hong Kong.

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Our Directors confirmed that, as at the Latest Practicable Date, the five largest customers of our Group during the Track Record Period were Independent Third Parties and that none of our Directors, their respective close associates nor our Shareholders (who to the knowledge of our Directors, owned more than 5% of our issued share capital) had any interests in the five largest customers of our Group for the Track Record Period.

Our Directors consider that our Group has established good relationship with our customers.

As our Businesses operate on a project-by-project basis, we have not entered into any long-term master contract with any of our major customers.

Entities who are our customers and also our suppliers

For the years ended 31 December 2015 and 31 December 2016, we purchased approximately HK\$2.1 million and HK\$10.6 million, respectively, of Branded Products from six of our customers. Among the purchase from these six customers, the purchase from one of which was attributable to the exercise of put back option granted by us and the remaining five of which was attributable to separate buy back agreements with terms subsequently negotiated and agreed between such customers and us. Please refer to the paragraph headed “Business – Customers – Put back option/buy back arrangement” in this prospectus for further details of such put back option and buy back arrangement.

Our sales to these four customers accounted for approximately 28.9% and 18.5% of our revenue for the years ended 31 December 2015 and 31 December 2016, respectively. Gross profit derived from sales to these six customers for the years ended 31 December 2015 and 31 December 2016 was approximately HK\$19.3 million and HK\$11.0 million, respectively, and the gross profit margin was approximately 21.5% and 24.0%, respectively.

In addition, for the years ended 31 December 2015 and 31 December 2016, we recorded sales of approximately HK\$2.3 million and HK\$2.4 million, respectively, from the sale of specialised cutting tools and spare parts to Palmieri and MEK, our suppliers. The products sold to Palmieri primarily consisted of specialised cutting tools and spare parts that we purchased from one of the abovementioned customers by negotiation, which our Group had no immediate use at the time. The products sold to MEK were primarily Disc Cutter rings from our inventory. Such Disc Cutter rings were used by MEK for its assembly of Palmieri Disc Cutters which were in turn supplied to us pursuant to the purchaser order for Palmieri Disc Cutters we placed with MEK.

Palmieri Group was our largest supplier during the Track Record Period. Further details of our relationship with Palmieri Group and our purchases from Palmieri Group are set out under the paragraph headed “Business – Our largest supplier – Palmieri Group” in this prospectus.

To the best knowledge and belief of our Directors, each of the abovementioned four customers as well as Palmieri Group (including MEK) and their ultimate beneficial owners are Independent Third Parties as at the Latest Practicable Date.

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Save for the transactions as set out above, during the Track Record Period, none of our customers are our suppliers and vice versa. Notwithstanding that we had put option on certain Branded Products sold to us by our suppliers, we did not exercise any of the put option during the Track Record Period. In addition, there was no overlap between our five largest customers and our five largest suppliers during the Track Record Period.

Contracts and purchase orders

Most of our customers confirm their orders one to three months in advance which enables us to plan and manage our procurement and/or sub-contracting, production and logistics, where applicable. We maintain close communication with our customers throughout the entire process.

Our sales of Branded Products and M&L Custom-made Products are generally conducted on the basis of confirmed purchase orders, the governing terms and conditions of which are pursuant to those set out in (i) a master framework contract entered into between the relevant parties and/or purchase order typically for the supply of specialised cutting tools and parts for construction equipment and certain M&L Custom-made Products; and (ii) a sale and purchase agreement for the supply of specialised construction equipment and various M&L Custom-made Products. Typically, our PRC customers would not enter into a master framework contract with us as this is not their business practice. Under these circumstances, the relevant purchase order would usually set out the governing terms and conditions. We maintain frequent communication with our customers from negotiation, issuance of purchase order to delivery of products.

(1) Master framework contract

Principal terms of a master framework contract for the supply of specialised cutting tools and parts for construction equipment, generally comprising contract sum, pricing schedule, duration, payment and credit terms, maintenance services and customer requirements compliance with, are summarised below:

(i) Contract sum and pricing schedule

Contract sum represents the total purchase estimates from our customers, which is based on the scope, complexity, project schedule, the respective unit rate and rate of consumption of each identified item over the duration of a given project.

For contracts related to the supply of specialised cutting tools and parts for construction equipment, the contract sum is typically an estimation and the total revenue derived from the relevant contract may deviate from the contract sum. However, in particular for specialised cutting tools and parts for construction equipment contracts, the contract sum is an estimated figure and the revenue recognised by our Group from any given contract may differ from the specified contract sum as there are a number of variables which may influence the final consumption of the products supplied by us under a contract. Given the above, a pricing schedule is included in such contracts, which typically sets out the unit rate of each product supplied by us under the contract as well as the estimated quantity.

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(ii) Duration

The term of the contract varies depending on the size, complexity and schedule of the project. During the Track Record Period, the duration of these contracts was generally not more than five years.

(iii) Payment and credit terms

Credit term is typically within 30 days but on a case-by-case basis may range up to 180 days after delivery of our invoice and, where applicable, receipt of application for our payment by our customers.

(iv) Maintenance services

We offer maintenance services during the term of our contract to our customers to which we supply products to. The pricing is negotiated on a case-by-case basis.

(v) Customer requirements compliance

Our Group is required to comply with our customers' requirements on quality, health and safety, environmental criteria or a combination of the above.

(2) Purchase orders

Purchase orders placed with us by our customers under a master framework contract would typically set out the specific terms for a particular batch of orders, including the subject equipment/parts, the respective quantity and unit rate, payment and credit terms and delivery related information.

For projects where a master framework contract was not entered into with our customers, our customers may place purchase orders with us which would typically include the aforementioned information as well as additional information such as maintenance period, if any.

(3) Sale and purchase agreement

Principal terms of a sale and purchase agreement in respect of the supply of specialised construction equipment and supply of M&L Custom-made Products, generally comprising consideration, description of products, delivery details, payment and credit terms, and warranty, are summarised below:

(i) Consideration

Consideration represents the amount payable to us from our customers for the products and/or services to be provided under the agreement, which is based on, where relevant the type of products and/or services, time involved and complexity.

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(ii) Description of products

Typically, the description of products includes size, measurement, capacity and features of the subject product.

(iii) Delivery details

The delivery date of the subject product may vary depending on the availability of products, manufacturing time and schedule of the project. Subject to our customers' request, our supplier may deliver the products to our customers directly or we may purchase the products from our suppliers, after which we would deliver the same to our customers.

(iv) Payment and credit terms

Credit term is typically within 30 days but on a case-by-case basis may range up to 180 days after delivery of our invoice or receipt of our payment application by our customers. Currency for payment is also specified in the agreement, such as Euros, Hong Kong dollars, Renminbi, Singapore dollars or other currency as the case may be.

(v) Warranty

For unused Branded Products of a non-consumable nature, we typically provide a warranty period (excluding labour warranty) of 12 months. Generally, such product would also be under warranty for the same duration from our supplier. For further details, please refer to the paragraph headed "Business – Quality control and assurance – Product returns and warranty" above.

For M&L Custom-made Products, in general, we do not provide any warranty but we would offer incidental repair and maintenance services to our customers. For further details, please refer to the paragraph headed "Business – Quality control and assurance – Product returns and warranty" above.

During the Track Record Period and up to the Latest Practicable Date, we did not have any significant disputes with our customers nor experienced any material sales returns.

Pricing policy

Subject to size of the contract and/or purchase order, value added by us through the provision of our Integrated Engineering Solutions, customer credit profile, product specifications, delivery schedule and prevailing market conditions, our pricing and profit margin incorporated into each of our contracts or purchase orders (where relevant) may vary. Each contract or purchase order (where relevant) will be reviewed and approved by our Group's senior management to ensure the products are sold at an acceptable profit margin.

Put back option/buy back arrangement

The specialised cutting tools and parts for construction equipment supplied by us to our customers are consumable products, such as Disc Cutters, and our customers may purchase in advance as possible replacements in the course of the tunnelling projects with a view to minimise delay. At the request of our customers, we may offer to buy back any such unused and new consumable products supplied by us from our customers with certain percentage discount to the original sale price. Such buy back arrangement is available to our customers on a case-by-case basis which may either be implemented by way of (i) the grant by us of a put back option in favour of our customers in the master purchase contracts, purchase orders and/or sale and purchase agreements, whereby the terms of such put back option (such as put back price (which generally ranged from 50% to 75% of the original selling price under the put back option granted during the Track Record Period), maximum quantity of products subject to put back, and repurchase time frame) will be fixed therein; or (ii) a separate buy back agreement on terms to be subsequently negotiated and agreed between our customers and us. In general, the put back option/buy back arrangement is only available to new and unused consumable products, so that we can facilitate these customers in handling any such unused consumable products after they finished their projects on one hand, and that we can procure such consumable products at lower costs and resell them to other customers on the other hand.

During the Track Record Period, we purchased certain unused and new products supplied by us from one of our customers under such put back option. For further details, please refer to the paragraph headed “Business – Suppliers and fabricated steel factories – Entities who are our customers and also our suppliers” in this prospectus. For the years ended 31 December 2015 and 31 December 2016, attributable to the exercise of put back option, we purchased approximately HK\$1.7 million and nil of Branded Products, respectively.

As at the Latest Practicable Date, we had four contracts with four of our customers with outstanding put back options for certain specified unused and new specialised cutting tools and parts for construction equipment supplied by us. Instead of having a fixed expiry date for such outstanding put back options, the relevant contracts specify that such put back options shall expire at the earlier of (i) a specified period after the first shipment of the specialised cutting tools/parts for construction equipment to our customer; or (ii) the completion of excavation of the subject tunnel. Our Group is not in a position to ascertain the respective completion dates of excavation of the subject tunnel as it would depend on numerous variables which are beyond our Group’s control, and that certain project information which is required for the purpose of determining such completion date is not accessible to us as a supplier. For information purposes only, based on the specified period after the first shipment of the specialised cutting tools/parts for construction equipment to our customer and the previous experience of our Group, our Directors estimate that the expiry date of the outstanding put back options would range from June 2017 to October 2018. Based on information provided by our customers, we expect the maximum amount to be purchased under the outstanding put back options, which are applicable to unused products only, as at 30 April 2017 shall be not more than HK\$6.4 million in aggregate.

In addition, our Group and an existing customer entered into a sales transaction for the supply of specialised cutting tools and parts for construction equipment. In connection with this transaction, our Group granted a buy back option on certain specialised cutting tools and

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parts for construction equipment to our customer on the condition that a pre-determined threshold of sales has to be met. As at the Latest Practicable Date, such pre-determined threshold of sales has not been met, hence such buy back option cannot be exercised yet and is excluded for the purpose of calculating the outstanding put back option in the previous paragraph.

To the best of our Directors' knowledge, information and belief, based on the historical business transactions with our customers as well as our internal records of our customers' inventory level collected from our monitoring of their inventory of our supplied products, our customers generally purchase specialised cutting tools and parts for construction equipment from us as and when they expect an upcoming need. On this basis, our Directors do not expect the actual amount to be paid by our Group under such put back options to be a significant portion of the possible maximum aggregate repurchase price payable by our Group. Therefore, even in the event that such put back options are exercised by our customers, our Directors expect such repurchase amount to represent only a small portion of the overall sales to the respective customers under the original contracts.

Potential liabilities

In the event of our delays in supplying products to our customers which in turn leads to delays in our customers' projects, the liabilities imposed on us under our typical contracts would range from compensation at a prescribed amount to right of termination of contract by customers with the right to procure substitute supplies and recover from us any financial loss thereby incurred. As advised by our legal advisers as to Hong Kong laws, as a general rule under the common law, damages are compensatory and based on loss to the claimant. If any of our customers seek to claim against us for financial losses arising from our delays in supplying products, they will have the burden to prove that our delay is the primary cause for their losses.

During the Track Record Period and up to the Latest Practicable Date, we did not have any significant disputes with our customers regarding delays in supplying products.

Credit control

During the Track Record Period, payments by customers were primarily made by cheque, telegraphic transfer and letter of credit with credit periods with a range up to 180 days. The payment method and the credit period are granted after having considered the respective customer's known financial position, credit track record, quantity of orders and future business prospects. Typically, we impose more stringent credit terms on our new customers.

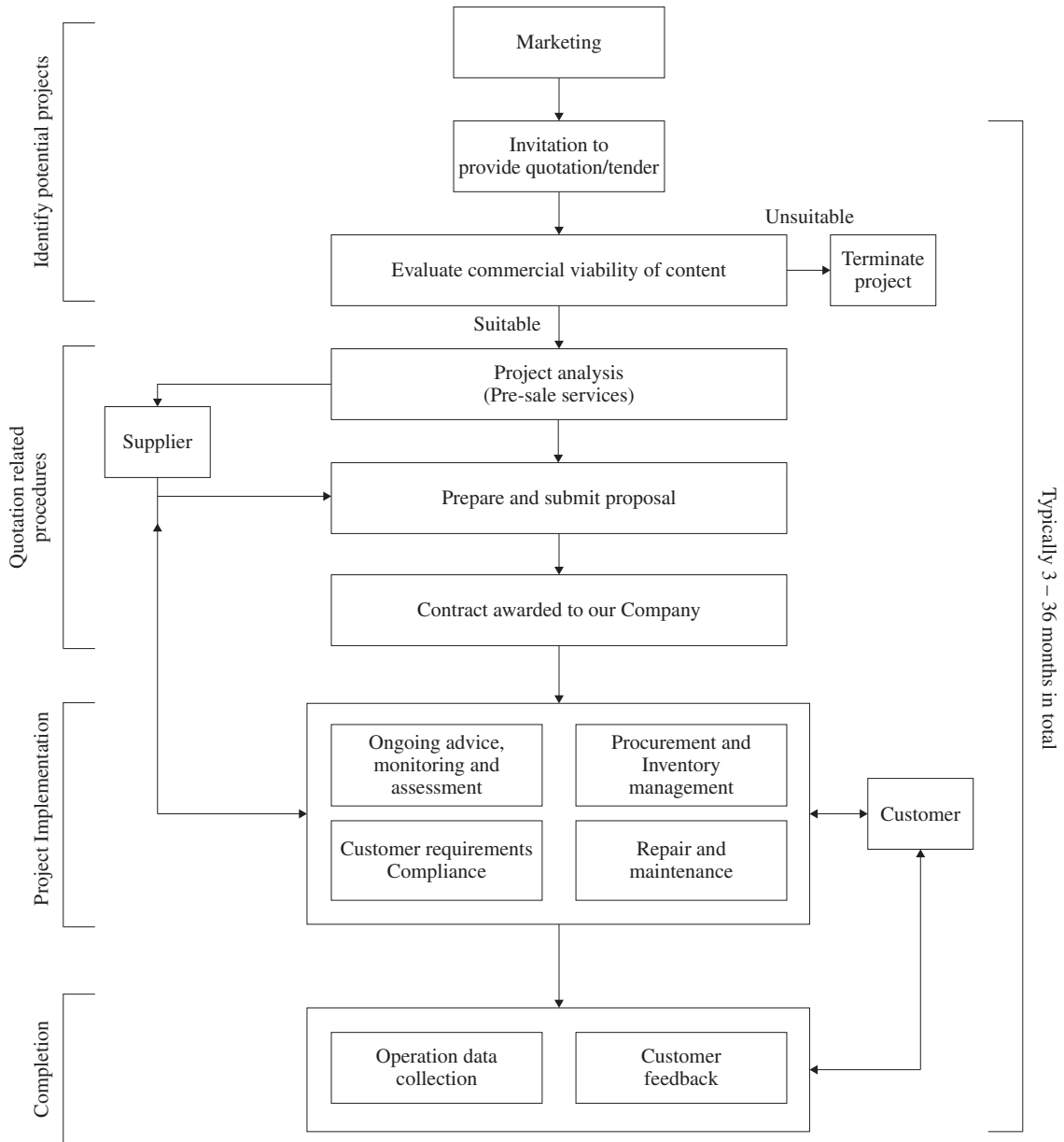
Our finance department is responsible for preparing monthly statements to customers and monitoring settlement from them. Our finance department also generates a monthly trade receivables aging report for review by senior management, alerting them of overdue balances. In the event that there is an overdue balance, sales and marketing personnel and senior management will liaise with the relevant customers to seek prompt settlement of the overdue balance.

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OPERATIONS

Branded Products

For illustration purpose, a simplified flow diagram of the common operational procedures of our supply of Branded Products is outlined as below:



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The following sets out common operational procedures as illustrated in the above simplified flow diagram, as the nature, scope and complexity of each contract varies, operational procedures undertaken by our Group may also differ from contract to contract:

(i) Identify potential projects

Our sales and marketing activities are set out under the paragraph headed “Business – Sales and marketing” above. Once an opportunity has been identified, our management team will evaluate the commercial viability of a contract and consider, in particular, factors such as (a) the availability of our Group’s resources; (b) whether our Group possesses the relevant expertise and technical knowledge for the contract; (c) the prevailing market conditions; (d) the scope, complexity and profitability of the project; and (e) the achievability of the specified timetable, as the case may be, and decide on whether to pursue such opportunity or not.

In addition, members of our management team will communicate with our customers on a regular basis during the course of a project to better understand and respond to their specific requirements.

Through this continued relationship development, our Group aims to attract further business and/or referrals from these customers.

(ii) Project analysis and proposal related procedures

Under our Integration Engineering Solutions business, we offer project analysis as part of our pre-sale services to our customers, where appropriate, such analysis may include geological analysis, TBM Disc Cutter consumption estimation, recommendation on deployment of TBM Disc Cutters, rolling distance analysis and planning of TBM Disc Cutters intervention schedule. Typically, information from our project analysis is submitted to our potential customers in the form of a proposal. In preparing a proposal, our Group will take into account various factors, including project specifications and requirements, customers’ requests, the location of the project and the relevant geological properties, and schedule of works. In turn, our potential customer would include information provided by us in their tender where considered appropriate.

(iii) Project implementation

- *Ongoing advice, monitoring and assessment*

We provide ongoing advice to our customers on deployment, usage and functionality of the Branded Products supplied by us. For TBM Disc Cutters, we also monitor and assess the rate of consumption to ensure any significant deviation from the estimated rate of consumption is investigated, with a view to identify and resolve problems (if any). Typically, we would interact with our customers frequently throughout the duration of the project to ensure we are in a position to understand and serve the ongoing needs of our customers and provide advice to address the relevant technical issues arising from the project promptly.

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- *Procurement and inventory management*

We would closely monitor the consumption rates of our supplied products, in particular for TBM Disc Cutters, for the project from its commencement, forecast the consumption of our supplied products for the forthcoming one to six months, cross check against the customer's stock list, advise the customer's inventory and procurement to ensure that there are sufficient relevant specialised cutting tools and parts to construction equipment in stock (where appropriate).

- *Customer requirements compliance*

Our master framework contract with our customers would normally set out their requirements on, quality, health and safety, environmental aspects. During the course of the contract, our Group is required to comply with the relevant requirements set out therein.

- *Repair and maintenance*

We offer repair and maintenance services during the duration of the contract to our customers whom we supplied Branded Products. In addition, we also offer maintenance period to our customers in accordance with the terms of the relevant contracts. For details, please refer to the paragraph headed "Business – Customers – Master framework contract" in this prospectus.

(iv) Completion

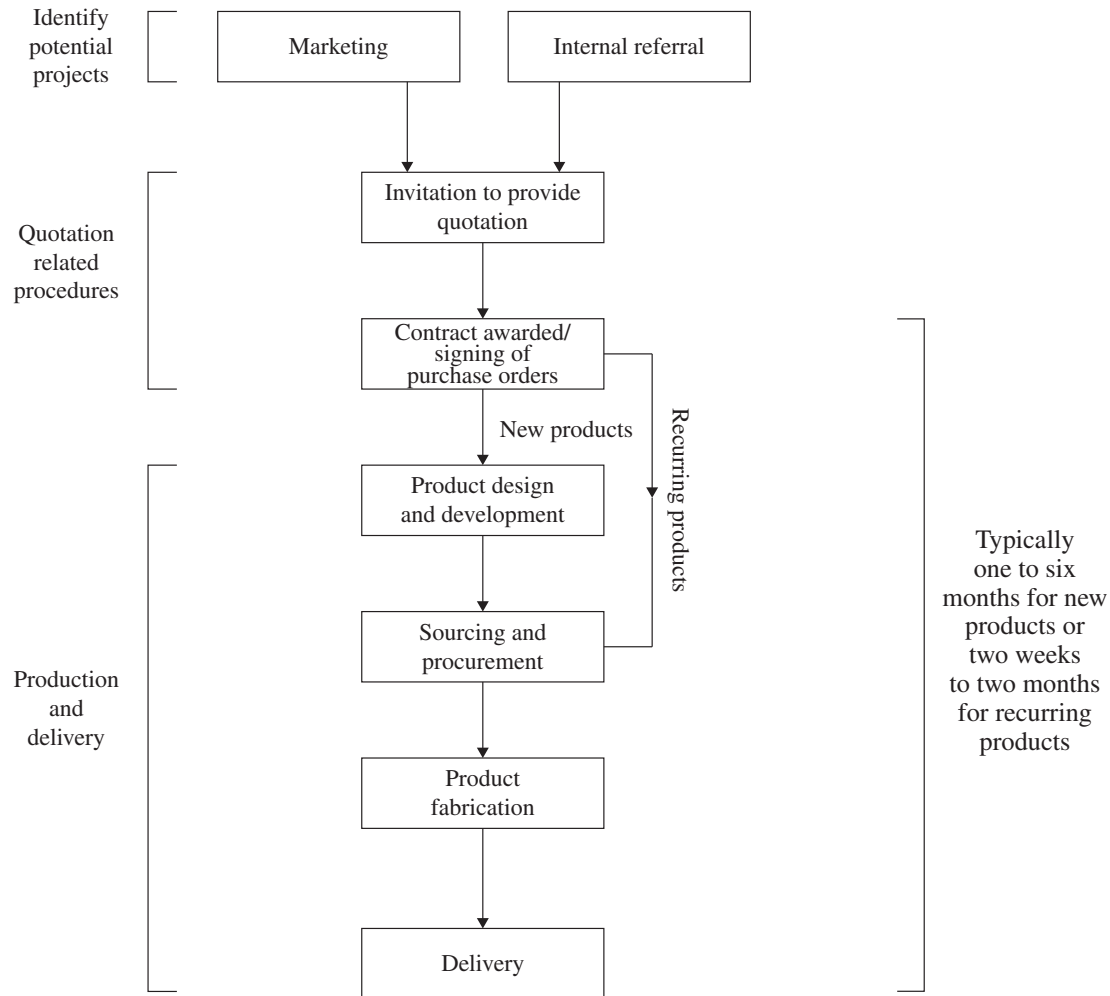
After completion of the contract, in particular for TBM Disc Cutters, we would collate and/or collect relevant operational data from our team and our customers including, where appropriate, consumption rate of consumables, geology information, compare actual consumption against estimated consumption.

We would also seek customer feedback with a view to improve our overall performance, efficiency and customer services.

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M&L Custom-made Products

For illustration purpose, a simplified flow diagram of the key operational procedures of M&L Custom-made Products is outlined as below:



The following sets out common operational procedures as illustrated in the above simplified flow diagram, as the nature, scope and complexity of each contract varies, operational procedures undertaken by our Group may also differ from contract to contract:

(i) Identify potential projects

Similar marketing activities are undertaken in identifying potential opportunities for fabricated construction steel works contracts as for our Branded Products, details of which are set out under the paragraph headed “Business – Sales and marketing” above. Once an opportunity has been identified, our management team will evaluate the commercial viability of a contract and consider, in particular, factors such as (a) the availability of our Group’s resources; (b) whether our Group possesses the relevant expertise and technical knowledge for the contract; (c) the prevailing market conditions; (d) the scope, complexity and profitability of the contract; and (e) the achievability of the specified timetable, as the case may be, and decide on whether to pursue such opportunity or not.

(ii) Quotation related procedures

In preparing a quotation, our Group will take into account various factors, including product design, specifications and requirements, and delivery schedule. In turn, our potential customer would include information provided by us in their tender where considered appropriate.

(iii) Production and delivery

- *Product design and development*

Product design and development is typically applicable for new products. In this connection, our customer may provide their own design, where our sales and engineering solutions team will review their design for feasibility and, where required, provide suggestions to improve their design. Where customer design is not provided, our sales and engineering solutions team develops new product concept based on our customer's requirements and specifications. New product concepts may be modified subject to our customers' input.

Once the product concept or design has been agreed with our customer, our sales and engineering solutions team will work on graphic and mechanical design, create prototypes (where required) and prepare bills of materials.

- *Sourcing and procurement*

In general, the raw materials of our M&L Custom-made Products are sourced directly by the Fabricated Steel Factories. For additional details on the suppliers, please refer to the paragraph headed "Business – Suppliers and Fabricated Steel Factories – Suppliers" above.

- *Product fabrication*

Product fabrication, subject to the type of products and customer specifications, may include the following procedures, (i) material cutting; (ii) parts preparation; (iii) fitting; (iv) machining; (v) welding; (vi) finishing; and (vii) product assembly. Our Group has implemented various quality control procedures throughout the product fabrication process.

- *Delivery*

Our Group follows our internal quality control procedures prior to the delivery of M&L Custom-made Products, such includes welding tests and specification checks conducted by us at the Fabricated Steel Factories to ensure the quality of the end product before delivery to our customers. In addition, from time to time, at the request of our customers, an independent surveyor may also be engaged to perform welding tests and issue test reports prior to the delivery of our products.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors are responsible for ensuring that our Group maintains sound and effective internal controls and for reviewing their effectiveness. We have adopted a series of internal control policies, procedures, and programs designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

Code of conduct

Our employees' code of conduct sets out our values, acceptable criteria for decision making, and our ground rules for behaviour. We have implemented mechanisms for our staff to whistleblow, carry out internal controls and report on other misconduct.

Tax compliance

In order to ensure compliance with all relevant tax rules and regulations in the jurisdictions where we operate, including Hong Kong, the PRC and Singapore, we have implemented strict internal control measures with reference to all relevant tax laws and regulations for those jurisdictions.

During the Track Record Period and up to the Latest Practicable Date, we had been in full compliance with the relevant tax rules and regulations in Hong Kong, the PRC, Singapore and other relevant countries in which we operate, and there was no investigation or non-compliance issues raised by the relevant tax authorities.

We have appointed either a tax representative or a consultant to handle our tax matters in Hong Kong, the PRC and Singapore. In addition, our finance team is responsible for monitoring compliance with the relevant tax rules and regulations, reviewing the tax filings prior to submission to the relevant government authorities in Hong Kong, the PRC and Singapore in which we operate and keeping themselves regularly updated with the latest rules and regulations from the website of the relevant tax authorities as well as with advice from the tax representative/consultant. On this basis, our Directors are of the view that our internal control measures on tax compliance are effective.

Transfer pricing

Given our supplier-agency agreements and distributorship agreements as set out under the paragraph headed "Business – Suppliers and Fabricated Steel Factories – Suppliers" above, Branded Products governed by these supplier-agency agreements and/or distributorship agreement are purchased from the supplier by the respective contractual entity (typically being M&L) in our Group first. Subsequently, such Branded Products are transferred, on a cost-plus basis, to the relevant group subsidiary principally responsible for the supply of such Branded Products to our end customers located outside Hong Kong (where relevant). All intra-group transactions are monitored by our finance team and reviewed by the senior management. During the Track Record Period, our Group did not receive any enquiry nor subject to any tax investigation by relevant tax authorities regarding transfer pricing matters in the respective geography we operate in.

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Compliance with all relevant rules and regulations

In order to ensure our ongoing compliance with all relevant rules and regulations of Hong Kong, the PRC, Singapore and other relevant countries in which we operate, we will appoint (if required) independent professional advisers including certified public accountants, tax consultants and legal advisers on a case by case basis. Other compliance issues relating to our Group include but are not limited to, tax compliance, financial reporting to government departments and company secretarial matters which are handled by Mr. Larry Ng, the chief financial officer and the joint company secretary of our Company in accordance with the direction of the Board and, where applicable, the advice of the independent professional advisers. We also encourage our Directors, senior management and staff to attend various seminars and training classes on the relevant rules and regulations organised by the government bureau and professional organisations.

RESEARCH AND DEVELOPMENT

During the Track Record Period, members of our senior management as well as our sales and engineering solutions team have, from time to time, involved in the product design and development, product engineering in the supply of M&L Custom-made Products as well as participated in the joint development of the RCD rig with Palmieri for foundation projects. Please refer to paragraphs headed “Business – Operations – M&L Custom-made Products – (iii) Production and delivery” and “Business – Business Strategies – Extend our Integrated Engineering Solutions capabilities” in this prospectus for further details.

MARKET AND COMPETITION

Our principal markets are Hong Kong, the PRC and Singapore, and our principal products mainly consisted of specialised cutting tools and parts for construction equipment with particular focus on Disc Cutters which are widely used in conjunction with TBMs and micro-tunnelling equipment of the construction industry.

According to the Ipsos Report, (i) for Hong Kong and Singapore, we are the only specialist TBM Disc Cutter supplier in the market which is not also a TBM manufacturer. Other dominant players are local sales offices of international TBM manufacturers which also produce TBM Disc Cutters. Other than our Group, there are no other TBM Disc Cutter suppliers offering similar services to our Integrated Engineering Solutions in Hong Kong. This is considered a key product differentiator of our Group against its competitors; and (ii) in the PRC where the market for TBM Disc Cutters is relatively fragmented, local manufacturers dominate the market because of pricing. However, some contractors may prefer foreign brands due to better quality and performance.

For further details of the relevant markets in which we operate, please refer to the section headed “Industry Overview” in this prospectus.

INTELLECTUAL PROPERTY

We have been the registrant of the domain name www.mleng.com since 2004, details of which are set out in the paragraph headed “Statutory and General Information – Further information about our business – Intellectual property” in Appendix IV to this prospectus.

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We have also obtained registration of various trademarks in Hong Kong and Singapore which may be material to our business, details of which are set out in the paragraph headed “Statutory and General Information – Further information about our business – Intellectual property” in Appendix IV to this prospectus. Our Directors consider our registered trademarks, in particular, our logo and brand name to be important to our business since they develop brand identification and awareness. We believe that the name recognition, reputation and image that we have developed are attractive to our customers and business partners. It is our intent to maintain our trademark registration.

We confirm that we were not involved in any dispute or infringement of intellectual property rights during the Track Record Period and up to the Latest Practicable Date and we were not aware of any such claims, either pending or threatened.

PROPERTY INTERESTS

Hong Kong

On 28 February 2017, we disposed of our properties in Hong Kong located at Units 44 & 45, 3rd Floor, World Trade Square, No. 21 On Lok Mun Street, Fanling, New Territories to two Independent Third Parties. The disposal was on normal commercial terms and for the consideration of HK\$3,313,200 and HK\$3,389,100, respectively. The properties can be used for the purpose of workshops and ancillary accommodation for non-domestic use, with an aggregate gross floor area and saleable area of approximately 2,031 and 1,439 square feet, respectively.

As at the Latest Practicable Date, we leased the following properties in Hong Kong:

Location	Usage	Approximate gross floor area (sq. ft.)	Term of tenancy	Annual rental (HKD/year)
DD 77 LOT 823, Ping Che, Fanling	Storage and workshop facilities	17,424	16 October 2016 to 15 October 2018	1,041,600
8th Floor, Eu Yan Sang Tower, 11-15 Chatham Road South, Tsim Sha Tsui, Kowloon	Office	1,978	1 February 2017 to 31 January 2019	600,000
11th Floor, Eu Yan Sang Tower, 11-15 Chatham Road South, Tsim Sha Tsui, Kowloon	Office	1,978	23 September 2015 to 22 September 2017	897,600

We completed relocating our storage and workshop facilities from DD 87 LOT 458 to DD 77 LOT 823 in March 2017, as the latter covers a larger area. The relocation (including the setting up and renovation of the new storage and workshop facilities and transportation of repair and maintenance equipment) costs approximately HK\$650,000. The lease for DD 87 LOT 458 was not renewed upon expiration on 31 March 2017. As we relocated our facilities by stages, there was no material interruption caused to our business and operations.

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PRC

As at the Latest Practicable Date, we did not own any property in the PRC but we leased the following properties in the PRC:

Location	Usage	Approximate gross floor area (sq.m.)	Term of tenancy	Annual rental (RMB/year)
Room 2009, East Plaza, No. 1072 Jian She Road, Luohu District, Shenzhen	Office	79.88	1 March 2017 to 28 February 2018	84,000
Room 1015, 10th floor, Oriental Landmark, No. 71 Wen Ming Road, Yuexiu District, Guangzhou City, Guangdong Province	Office	49.99	1 May 2017 to 30 April 2018 1 May 2018 to 30 April 2019 1 May 2019 to 30 April 2020	57,739 62,988 66,132

As advised by our PRC Legal Adviser, the landlord of the property had the right to lease the property to us, and the lease was legally binding and enforceable.

Singapore

As at the Latest Practicable Date, we owned the following properties in Singapore:

- (i) No. 5 Yishun Industrial Street 1, #02-04, Singapore 768161; and
- (ii) No. 5 Yishun Industrial Street 1, #02-05, Singapore 768161.

The properties were used by us for the purpose of offices and factories with an aggregate floor area of approximately 288 sq. m. As advised by our Singapore legal adviser, we have obtained good, valid and subsisting title to our above owned properties.

As at the Latest Practicable Date, we leased the property in Singapore located at No. 5 Yishun Industrial Street 1, #02-07, Singapore 768161. The property was used by us for the purpose of office and storage facility and has a gross floor area of approximately 143 sq.m.. The term of the lease is from 1 January 2017 to 31 December 2017, with an annual rental of SGD30,000. As advised by our Singapore legal adviser, save for the mortgagee consent which the landlord of the property has not obtained, the lease was legally binding and enforceable.

Save as disclosed in this section, as at the Latest Practicable Date, we did not have any owned or leased properties.

As at the Latest Practicable Date, we did not have any property interest that forms part of our property activities, and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets as at 31 December 2016.

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Based on the above, a valuation report with respect to our property interests (other than our owned properties in Hong Kong) is not required pursuant to Rule 8.01A(2) of the GEM Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice.

EMPLOYEES

As at Latest Practicable Date, our Group had 50 full-time employees, their respective function by type and location are set out in the following table:

Function	Number of employees
Directors	4
Sales & Engineering Solutions	9
Design & Development	2
Technical Services & Maintenance	20
Finance, Administration & Operations	15
	<hr/>
Total	50
	<hr/> <hr/>
Geographic location	Number of employees
Hong Kong	33
Singapore	8
the PRC	9
	<hr/>
Total	50
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Directors are primarily responsible for the overall strategic planning and business development of our Group.

Sales and engineering solutions team is primarily responsible for the provision of Integrated Engineering Solutions to the customers in respect of, among others, the application of specialised cutting tools and parts for construction equipment for tunnelling and foundation projects and sales and marketing related activities.

Design and development team is primarily responsible for the research and development of products and services.

Technical services and maintenance team is primarily responsible for the provision of repair and maintenance services for tunnelling and foundation equipment and parts.

Finance, administration and operations team is primarily responsible for administrative, accounting and information technology related functions.

BUSINESS

Remuneration

Our Directors believe that the relationship and co-operation between our management team and our employees has been good and we have not experienced any incidence of work stoppage or labour disputes during the Track Record Period and up to the Latest Practicable Date.

The remuneration package we offer to our employees includes, where applicable, salary, commission, discretionary bonuses and allowances. We determine our employees' remuneration based on factors such as qualifications, position, contribution and years of experience. The key principles of the remuneration policy are to remunerate employees in a manner that is market competitive.

We also place an emphasis on the continuing education and training of our staff necessary for them to perform their functions.

Please refer to the paragraph headed "Statutory and General Information – Disclosure of Interest – Remuneration" in Appendix IV to this prospectus for details of remuneration paid and payable to our Directors.

INSURANCE

We have taken out insurance covering certain risks in respect of our properties, vehicle, and employer's liability. We set out below a summary of our certain key insurance policies:

Hong Kong

- ***Business insurance policy:*** Business insurance policy covers for, *inter alia*, personal injury and property damage, business interruption, and loss of money in certain circumstances, subject to the terms and conditions, and the indemnity limit as provided therein;
- ***Employer's compensation insurance policies:*** Employer's compensation insurance policies cover our liabilities to our employees as the employer under the Employees' Compensation Ordinance and other relevant laws in Hong Kong to make any payment in respect of the death or injury of our employees subject to an indemnity limit as provided therein;
- ***Medical insurance policy:*** Medical insurance policy for the employees, subject to the terms and conditions, and the indemnity limit as provided therein; and
- ***Vehicle insurance policy:*** Vehicle insurance policies cover for, *inter alia*, liability to third parties and in certain cases, loss or damage to certain insured vehicle(s), subject to the terms and conditions, and the indemnity limit as provided in the respective vehicle insurance policies.

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- **Employee insurance policy:** Social insurance, including pension insurance, work-related injury insurance, unemployment insurance, medical insurance and the maternity insurance as required under the PRC laws. For further details, please refer to the section headed “Laws and Regulations – PRC Laws and Regulations – PRC Regulatory Overview – Laws and regulations relating to labour and social insurance”; and
- **Vehicle insurance policy:** Vehicle insurance policy covers for, *inter alia*, any accidental loss or damage suffered by our Group in respect of the insured vehicle, liability to third parties and also the drivers and passengers as well, any loss suffered by theft or robbery, expenses on the replacement for the car windows, subject to the terms and conditions, and the indemnity limit as provided in the respective vehicle insurance policies.

Singapore

- **Business protector insurance policy:** Business protector insurance policy covers for, *inter alia*, all risks commercial, computer, loss of profits, money, work injury compensation, public liability, plate glass, and personal accident – group, subject to the terms and conditions, and the indemnity limit as provided in the respective business protector insurance policies;
- **Employee insurance policy:** Employee insurance policy covers for, *inter alia*, any medical expenses, death, and permanent total or partial disability as a result of an accident, subject to the terms and conditions, and the indemnity limit as provided in the respective employee insurance policies;
- **Properties insurance policy:** Properties insurance policy covers for, *inter alia*, any accidental loss of or damage suffered by M&L (Singapore) in respect of the insured property, subject to the terms and conditions, and the indemnity limited as provided in the respective properties insurance policies; and
- **Vehicle insurance policy:** Vehicle insurance policy covers for, *inter alia*, any accidental loss or damage suffered by M&L (Singapore) in respect of the insured vehicle, liability to third parties, medical expenses, personal accident benefits, and repairs, subject to the terms and conditions, and the indemnity limit as provided in the respective vehicle insurance policies.

As at the Latest Practicable Date, we had not experienced any significant loss or damage to our assets. For the years ended 31 December 2015 and 31 December 2016, we recorded expenditure in connection with the insurance policy premiums for our properties, vehicles, employer’s liability and other business related insurance of approximately HK\$229,000 and HK\$512,000, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not make any material claims under our insurance policies nor did we experience any material claims from third parties.

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Our Directors are of the view that the insurance coverage currently maintained by our Group is in line with industry norm and is sufficient to address the potential risks and losses and safeguard the interest of the shareholders. However, it is possible that our insurance may not fully cover all the potential losses arising from our Businesses. Please refer to the paragraph headed “Risk factors – Risks relating to our business and our industry – Our insurance may not fully cover all the potential losses arising from our Businesses, including product liabilities” of this prospectus for details.

HEALTH AND SAFETY AND ENVIRONMENTAL MATTERS

Health and safety

Our warehouse and workshop staff receives training to enable them to acquire the prerequisite skills and knowledge on health and safety related procedures before they are assigned to carry out their duties at our warehouse and workshop.

Our operations are subject to laws and regulations in relation to health and safety in Hong Kong, the PRC and Singapore, please refer to information as set out under the sub-sections headed “Hong Kong Laws and Regulations – Laws and Regulations in relation to Construction Labour, Health and Safety”, “PRC Laws and Regulations – Laws and Regulations relating to Health and Safety” and “Singapore Laws and Regulations – Description of applicable laws and regulations in Singapore – Workplace safety and health safety measures” of the section headed “Laws and Regulations ” of this prospectus. If we fail to comply with present or future laws and regulations in such respects, we will be subject to fines, suspension of business or cessation of operations. We strive to minimise workplace accidents and injuries with our continuous efforts to maintain and uphold work safety and healthy working environments through our work safety policies and procedures to (i) safeguard the health and safety of our employees; and (ii) ensure that our operations are in compliance with applicable work safety laws and regulations.

To the best of our knowledge, information and belief, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with the work safety laws and regulations in all material respects. During the Track Record Period, save as set out in the paragraph headed “Legal and Administrative Proceedings” below, we had not received any notice or order from any government or regulatory authorities relating to non-compliance of work safety laws and regulations nor experienced any significant incidents or accidents in the course of our operations and our Directors were not aware of any material claims for personal or property damages in connection with health and occupational safety.

Environmental matters and corporate social matters

We are committed to enhancing and improving technology and services to fulfil our social responsibilities to both the community and environment. In delivering our solutions, we aim to ensure that all services are delivered with high quality and are conducted in an environmentally responsible manner.

REGULATORY COMPLIANCE

Definitions

For the purposes of this section headed “Business – Regulatory compliance”, the following expressions have the following meanings:

“Code Discrepancies”	declarations lodged or required to be lodged during the year ended 31 December 2015 and the period from 1 January 2016 to the Latest Practicable Date which involved the use of incorrect commodity code for classifying goods;
“Inaccurate Export Declarations”	export declarations lodged or required to be lodged during the year ended 31 December 2015 with understated declared values of articles;
“Inaccurate Import Declarations”	import declarations lodged or required to be lodged during the year ended 31 December 2015 and the period from 1 January 2016 to the Latest Practicable Date with understated declared values of articles;
“Late Export Declarations”	export declarations lodged or required to be lodged during the year ended 31 December 2015 and the period from 1 January 2016 to the Latest Practicable Date which were not lodged within the Prescribed Period;
“Late Import Declarations”	import declarations lodged or required to be lodged during the year ended 31 December 2015 and the period from 1 January 2016 to the Latest Practicable Date which were not lodged within the Prescribed Period;
“C&E Enquiries”	verbal enquiries made with Customs & Excise Department from which we understand that for cases that we have paid the relevant underpaid declaration charges and settled the administrative penalties and/or fine, it is the practice of the Customs & Excise Department that it will not take further action in respect of those cases;
“Counsel’s Legal Opinion”	legal opinion from Mr. Li Chung Yin Tony, barrister-at-law, Hong Kong; and

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“Prescribed Period”

14 days after the date of import or export of articles under regulations 4 and 5 of the IAE Registration Regulations.

Set out below is a summary of our certain incidents of non-compliance during the Track Record Period and up to the Latest Practicable Date. Our Directors believe that these incidents of non-compliance, whether individually or collectively, will not have a material operational and financial impact on us.

Non-compliance incidents in relation to import and export declarations

In relation to import or export of articles (other than exempted articles) to and from Hong Kong, an accurate and complete import and export declaration is required to lodge with the C&E Commissioner within the Prescribed Period. A declaration charge is payable for such import or export. For further details, please refer to the section headed “Laws and Regulations – Hong Kong Laws and Regulations – Laws and Regulations in relation to Import and Export and Sale of Goods” in this prospectus.

During the Track Record Period, we lodged or were required to lodge about (i) 277 import declarations and 44 export declarations for the year ended 31 December 2015; and (ii) 213 import declarations and 31 export declarations for the year ended 31 December 2016. There were incidents that our Hong Kong subsidiaries, namely M&L and East Focus, did not lodge accurate and complete declarations within the Prescribed Period, representing a material portions of such declarations. Brief details of which are set out below:

Nature and extent of non-compliance	Rectification actions taken and status (i.e: payment of penalties and likelihood of further claims)	Possible legal consequences/ Maximum exposure (approximately) *
<p>(1) <u>Inaccurate Import Declarations:</u></p> <p>There were 277 cases in 2015 and 9 cases during the period from 1 January 2016 to the Latest Practicable Date. The last non-compliance case occurred on or about 5 July 2016.</p>	<p style="text-align: center;">Certain relevant legislation</p> <p>In addition to payment of the underpaid declaration charges:</p> <p><u>Inaccurate declarations</u></p> <p>(I) Regulation 10 of the IAE Registration Regulations imposes a penalty for understating values in declarations (which shall not be more than 20 times of the extra charge and be subject to a maximum penalty amount of HK\$10,000).</p> <p>(II) Under regulations 4 and 5 of the IAE Registration Regulations, a person, who knowingly or recklessly lodges any declaration that is inaccurate in any material particular, commits an offence and is liable on summary conviction to a fine of HK\$10,000.</p> <p>(III) The IAE Ordinance (section 36) provides that a person, who makes or furnishes any statement or information in declarations which is false or misleading in a material particular, commits an offence and is liable on conviction to a fine of HK\$500,000 and to imprisonment for 2 years.</p>	<p>Not applicable</p>
<p>(i) Amended import declarations with correct information have been filed for the 286 cases.</p> <p>(ii) For 272 cases: (a) the underpaid import charges of approximately HK\$16,000; (b) the administrative penalties of approximately HK\$70,000 under regulation 10 of the IAE Registration Regulations; and (c) the fine of HK\$16,000 (for our non-compliance with regulations 4(1) and 4(5) of the IAE Registration Regulations) imposed upon conviction on our guilty plea have been paid.</p> <p>(iii) For the remaining 14 cases: each of them was required to pay the minimal declaration charge of HK20 cents, which were paid at the time of initial filing, and therefore no underpaid declaration charge was involved.</p> <p>As at the Latest Practicable Date, we have not received any notification for claims from the relevant authorities.</p>	<p>On the basis of (aa) full payment of the said underpaid import charges, fine and penalties; (bb) the Double Jeopardy Rule^(Note); and (cc) the C&E Enquiries, we consider that it is unlikely that we will be subject to further claims concerning the said 272 cases.</p> <p>On the basis that (aa) no underpaid declaration charge was involved; and (bb) there is a lapse of time since we filed the amended declaration, we consider that it is unlikely that we will be subject to any claim concerning these 14 cases.</p>	<p>Not applicable</p>

Note: The rule against double jeopardy that no one may be put in peril twice for the same offence, as provided for in the Counsel's Legal Opinion.

Nature and extent of non-compliance	Rectification actions taken and status (i.e: payment of penalties and likelihood of further claims)	Certain relevant legislation	Possible legal consequences/ Maximum exposure (approximately) *
<p>(2) <u>Code Discrepancies:</u></p> <p>There were 212 cases in 2015 and 8 cases during the period from 1 January 2016 to the Latest Practicable Date. The last non-compliance case occurred on or about 19 July 2016.</p>	<p>Amended declarations with correct information have been filed for the 220 cases.</p> <p>As at the Latest Practicable Date, we have not received any notification for claims from the relevant authorities.</p> <p>On the basis of (aa) that the 218 cases were either part of the 272 cases as set out in paragraph (1)(ii) above or part of the 14 cases as set out in paragraph (1)(iii) above for which either penalties had been imposed or likelihood of claim was unlikely as disclosed above; (bb) the Double Jeopardy Rule; (cc) the C&E Enquiries; and (dd) there is a lapse of time since we filed the amended declaration, we consider that it is unlikely that we will be subject to any claims concerning the 220 cases.</p>	<p style="text-align: center;"><u>Late filing of declarations</u></p> <p>(IV) Regulation 7 of the IAE Registration Regulations imposes an administrative penalty for failure to lodge declarations within the Prescribed Period (which ranges from HK\$20 to HK\$200 per incident depending on the time of lodging the declaration and the total value of the articles specified in the declaration).</p> <p>(V) Under regulations 4 or 5 of the IAE Registration Regulations, late lodgments of declarations without reasonable excuse is an offence and is liable on summary conviction to a fine of HK\$1,000 (plus daily fines of HK\$100)</p>	<p>Not applicable</p>
<p>(3) <u>Inaccurate Export Declarations:</u></p> <p>There was one case in 2015, which occurred on or about 28 April 2016.</p>	<p>Amended export declaration with correct information has been filed for the one case.</p> <p>As at the Latest Practicable Date, we have not received any notification for claims nor demand note for repayment of the relevant export charges from the relevant authorities and therefore the relevant export charges of approximately HK\$300 remained unsettled.</p> <p>On the basis of (aa) the practice of the relevant authorities in respect of the other non-compliance incidents and the amount of penalties imposed on us for such incidents; and (bb) the Counsel's Legal Opinion, we are of the view that the relevant authorities are still processing the amended declarations and expect that demand note of repayment will be issued to us and our liability arising from such 2015 Inaccurate Export Declaration should be similar to that of other incidents.</p>	<p>For further details, please refer to the paragraph headed "Laws and Regulations – Hong Kong Laws and Regulations – Laws and Regulations in relation to Import and Export and Sale of Goods" of this prospectus.</p>	<p>HK\$1,500</p>

Nature and extent of non-compliance	Rectification actions taken and status (i.e. payment of penalties and likelihood of further claims)	Certain relevant legislation	Possible legal consequences/ Maximum exposure (approximately) *
(4) <u>Late Import Declarations:</u> There were 246 cases in 2015 and 40 cases during the period from 1 January 2016 to the Latest Practicable Date, among which:			Not applicable
(i) 202 cases were filed within 1 month after the Prescribed Period;	(i) For 277 cases: the administrative penalties of an aggregate of HK\$23,000 under regulation 7 of the IAE Registration Regulations have been paid.	On the basis of (aa) full payment of the said penalties; (bb) the Double Jeopardy Rule; and (cc) the C&E Enquiries, we consider that it is unlikely that we will be subject to further claims concerning the said 277 cases.	
(ii) 33 cases were filed after 1 month but within 2 months, after the Prescribed Period; and	(ii) For the remaining 9 cases: as at the Latest Practicable Date, we have not received any notification for claims from the relevant authorities.	On the basis (aa) that 5 of these cases were declarations which were to amend the previous incorrect information and did not involve underpaid declaration charges; and (bb) the practice of the relevant authorities in respect of the other non-compliance incidents and the amount of penalties imposed on us for such incidents, we are of the view that the relevant authorities are still processing the relevant declarations and our liability arising from such 2015 Late Import Declaration should be similar to that of other incidents.	HK\$100
(iii) 51 cases were filed after 2 months after the Prescribed Period.			
The last non-compliance case related to a declaration which should have been filed on or about 3 August 2016.			

Nature and extent of non-compliance	Rectification actions taken and status (i.e.: payment of penalties and likelihood of further claims)	Certain relevant legislation	Possible legal consequences/ Maximum exposure (approximately) *
<p>(5) <u>Late Export Declarations:</u></p> <p>There were 44 cases in 2015 and 12 cases during the period from 1 January 2016 to the Latest Practicable Date, among which:</p> <p>(i) 7 cases were filed within 1 month after the Prescribed Period;</p> <p>(ii) 1 case was filed after 1 month but within 2 months, after the Prescribed Period; and</p> <p>(iii) 48 cases were filed after 2 months after the Prescribed Period.</p> <p>The last non-compliance case related to a declaration which should have been filed on or about 21 June 2016.</p>	<p>For 56 cases: administrative penalties of an aggregate of approximately HK\$10,000 under regulation 7 of the IAE Registration Regulations have been paid.</p> <p>On the basis of (aa) full payment of the said penalties; (bb) the Double Jeopardy Rule; and (cc) the C&E Enquiries, we consider that it is unlikely that we will be subject to further claims concerning the said 56 cases.</p>		Not applicable

* "Possible legal consequences/Maximum exposure" refers to our Group's possible legal consequences/maximum exposure arising from the non-compliance incidents as considered by our Directors for practical purposes, having regard to various factors namely, the Double Jeopardy Rule, the C&E Enquiries and the practice of the relevant authorities in respect of the other non-compliance incidents and the amount of penalties which might be imposed on us but of which our Group has not received notification from the relevant authorities for the penalties for such incidents, but not the legal consequences/maximum penalty as provided for in the relevant legislations. Where "Not applicable" is inserted, it means our Directors consider that it is unlikely that we will be subject to further claims concerning the matters after taking into account of the aforementioned factors.

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As at the Latest Practicable Date, the total amounts of such penalties and fines that we paid in respect of the abovementioned non-compliances was approximately HK\$119,000. On the basis of the rectification status and the likelihood of further liabilities our Group is exposed to as a result of these non-compliance incidents, no provision has been made in our consolidated financial statements as a result of the above non-compliance incidents.

As at the Latest Practicable Date, save as disclosed herein, we had not received any notification for claims from the relevant authorities regarding the above non-compliance incidents. To the best of our Directors' knowledge, belief and understanding, since August 2016, all declarations lodged by us were lodged within the Prescribed Period, and contained accurate and complete information.

Reasons for non-compliance and Director(s)/senior management(s) involved in the non-compliance incidents

The above non-compliance incidents (other than non-compliance incidents involving exports to the PRC) were mainly due to the fact that our current administrative personnel, who is responsible for the preparation and filing of import declarations and ensuring compliance at the relevant time, was not familiar with the relevant rules, regulations and procedures. The current administrative personnel joined our Group in 2008 and had no prior experience in relation to such declarations. The former staff, who handed over to the current administrative personnel before departure from our Group, only gave the current administrative personnel quick briefings on the procedures related to filing of import and export declarations prior to departure from our Group.

In relation to the above non-compliance incidents involving exports to the PRC, such declarations were completed and lodged by freight forwarder(s) who was/were engaged by us to handle such declarations.

As the import and export declarations have been delegated to either our administrative personnel or (as the case may be) our freight forwarder(s), none of our Directors or senior management was involved in these non-compliance incidents nor had knowledge regarding such non-compliance incidents until the due diligence exercise in preparation for the Listing. In particular, our Directors considered that on the basis that the preparation and filing of import and export declarations were more of routine, administrative and procedural in nature, and that they relied on the competence and diligence of our administrative personnel or (as the case may be) the freight forwarder(s) to fulfil their assigned tasks, and inadvertently our Directors were not aware of the situation as they did not expect our administrative personnel or (as the case may be) the freight forwarder(s) to have committed such non-compliances. Nonetheless, after our Directors identified the non-compliance incidents involving import and export declarations, our Directors had acted as soon as practicable to rectify the non-compliance incidents, notified the relevant authorities and enhanced the internal control measures accordingly.

View of our Directors on the above non-compliance incidents

Having regard to the reasons set out below, our Directors consider that the business operation and financial performance of our Group have not been, and will not be, materially negatively impacted by the abovementioned non-compliance incidents in relation to the lodgment of trade declarations for the following reasons:

- (i) the relevant articles imported or exported by our Group are not dutiable goods under the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong), nor are they subject to any pre-approval or licensing or quota requirements of Hong Kong. Lodgment of import and export declarations are only post-event notifications which are required to be lodged by our Group after the relevant articles have been imported into or exported out of Hong Kong. Our previous late lodgment of and lodgment of inaccurate declarations will not affect our future import or export of such articles and business operation, hence there will not be material impact on us as a result thereof;
- (ii) rectification actions have been taken by us, including the filing of amended declarations, payment of the underpaid charges, penalties and fine, details of which are disclosed in the table under the paragraph headed “Regulatory Compliance – Non-compliance incidents in relation to import and export declarations” above. As at the Latest Practicable Date, the total amounts of the penalties and fine paid by us under the IAE Registration Regulations in relation to the said non-compliance incidents was approximately HK\$119,000 which did not and will not give rise to any material impact on our financial position;
- (iii) as at the Latest Practicable Date, save as disclosed under the paragraph headed “Regulatory Compliance – Non-compliance incidents in relation to import and export declarations” above, we had not received any notification for claims from the relevant authorities regarding such non-compliance incidents during the period from 1 January 2015 to the Latest Practicable Date. As set out above, our further exposure to such non-compliance incidents (if any) is considered to be immaterial;
- (iv) to the best of our Directors’ knowledge, there were no further non-compliance incidents in relation to the lodgement of trade declarations since August 2016 up to the Latest Practicable Date; and
- (v) the non-compliance incidents were not resulted from fraudulent or dishonest acts of our Directors or senior management.

Our Controlling Shareholders have entered into a deed of indemnity in favour of our Group whereby they agreed to indemnify our Group, subject to the terms and conditions of the deed of indemnity, in respect of any liabilities which may arise as a result of any non-compliance referred to under the paragraph headed “Regulatory Compliance – Non-Compliance incidents in relation to import and export declarations” above. Further details of the deed of indemnity are set out under the paragraph headed “Statutory and General Information – Other Information – Estate duty, tax and other indemnities” in Appendix IV to this prospectus.

Enhanced internal control measures to prevent recurrence of the above non-compliance incidents

We have engaged the Internal Control Consultant to conduct an internal control review from 1 March 2016 to 30 November 2016 in relation to the effectiveness of enhanced internal control measures in relating to the inaccurate filing of import and export declaration by our Company. Following the recommendations from our Internal Control Consultant, we have since August 2016 implemented a number of defined and specific remedial measures, by stage, to strengthen our internal control system targeting the prevention of the non-compliance with respect to the requirements on lodgment of import and export declarations. All such measures (other than as specified below) have been implemented. These measures include the following:

- (i) deploy our finance and administration manager (“**FAM**”) to supervise trade declaration related matters in Hong Kong. In this connection, the FAM shall maintain a register of all import/export transactions by timely tracking declaration status, follow up information required to be included in the declarations, and review the accuracy and completeness of information set out in the trade declarations and monitor deadlines for lodgment of the trade declarations. In relation to export declarations for our exports to the PRC, we have ceased entrusting our freight forwarder(s) to complete and lodge export declarations for us and have since prepared the same ourselves;
- (ii) assign our financial controller, Ms. Pang Suk Yee (“**Ms. Pang**”), who is independent from handling the declaration matters, to oversee our compliance with the requirements in relation to lodgment of trade declarations under the IAE Ordinance (including sample checking) and review the register of all import/export transactions on a monthly basis against the statements returned from the e-commerce operator of import and export declaration. Any penalty of late lodgment or inaccurate lodgment revealed on the statement must be followed up and reported to the chief financial officer and the chief executive officer.

our Directors consider that Ms. Pang has the relevant knowledge and experience to effectively oversee our compliance with the requirements in relation to lodgment of trade declarations because of the combinative effect of the following:

- (a) the role taken by Ms. Pang in this regard is overseeing the compliance and double-checking the register against the statements returned from the e-commerce operator of import and export declaration, which is on top of the “enhanced internal control measures” set out in sub-paragraphs (i) above;
- (b) as set out in the paragraph headed “Directors and Senior Management – Senior Management” in this prospectus, Ms. Pang has over 20 years of experience in accounting and finance with senior accountant and managerial role in various enterprises, the work nature of which would typically involve overseeing, checking and conducting computation and therefore is similar to the role to be taken by Ms. Pang in overseeing and double-checking the compliance;

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- (c) as part of the rectification action, we have arranged Ms. Pang to attend training for compliance with IAE Registration Regulations;
 - (d) Ms. Pang has been responsible for overseeing and double-checking the compliance and declaration role during the rectification of the non-compliance incidents. To the best knowledge of our management, we have complied in all material respects with the relevant requirements since August 2016 and up to the Latest Practicable Date, which demonstrates that the internal control measures (including the role taken by Ms. Pang) have been effective; and
 - (e) we will seek legal advice from external legal counsel for such compliance matter should we consider such advice be necessary or advisable;
- (iii) establish guidelines for handling lodgment of import and export declarations and issue memorandum to relevant staff to raise awareness on the requirements of lodgment of accurate and complete declarations within the prescribed period;
 - (iv) adopt policy to seek legal advice on the relevant compliance matters in the future, as and when necessary, to ensure our continuous compliance with the relevant laws and regulations; and
 - (v) send reminders and requests to our suppliers for accurate details of shipments in a timely manner, to ensure that we have the required information for the lodgment of accurate and complete import and export declarations within the stipulated deadline.

Our executive Directors will attend, after Listing, at least (i) 15 hours of training for securities-related, corporate governance and companies law-related compliance; and (ii) 4 hours of training on business operational matters (e.g. including lodgement of import and export declarations and the operation of related lodgement system) on an annual basis. We have also adopted the policy that for the first two years after Listing, we will report the compliance with the requirements of timely lodgement of accurate and complete import and export declarations under the IAE Registration Regulations in our interim and annual reports.

Our Directors believe, and the Sponsor and our Internal Control Consultant concurs, that such enhanced internal control measures are effective to avoid the recurrence of the above non-compliance incidents in the future. To the best knowledge of the management of our Group, our Group has complied in all material respects with the relevant provisions under the IAE Ordinance and its subsidiary legislation in respect of all import and export declarations made from August 2016 and up to the Latest Practicable Date.

Please refer to the paragraph headed “Business – General internal control measures to prevent recurrence of non-compliance incidents” below for further details of the general internal control measures taken to prevent recurrence of the above non-compliance incidents.

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GENERAL INTERNAL CONTROL MEASURES TO PREVENT RECURRENCE OF NON-COMPLIANCE INCIDENTS

In addition to the measures taken to prevent recurrence of the non-compliance incidents mentioned above, in order to continuously enhance our corporate governance and to prevent recurrence of the non-compliance incidents, we intend to adopt or have adopted the following measures:

- (i) we have established the Corporate Governance Committee on 19 June 2017, which consists of Mr. Larry Ng, our executive Director, and our three independent non-executive Directors. For the functions of the Corporate Governance Committee, please refer to the paragraph headed “Directors and Senior Management – Board Committees – Corporate Governance Committee” of this prospectus;
- (ii) we have appointed Mr. Larry Ng and Mr. Chan Sun Kwong as our joint company secretaries. Please refer to the paragraph headed “Directors and Senior Management – Joint Company Secretaries” for their qualification and experience. Our Directors believe that our Company will be able to draw on their expertise and experience with respect to compliance with applicable legal and financial reporting requirements;
- (iii) we have appointed VMS Securities Limited as our compliance adviser with effect from the Listing Date to advise on ongoing compliance with the GEM Listing Rules in accordance with the requirements of the GEM Listing Rules;
- (iv) we have also established an audit committee comprising three independent non-executive Directors as part of our measures to improve corporate governance. The primary duties of the audit committees are to review and approve our Group’s financial reporting, risk management and internal control principles, maintain an appropriate relationship with our auditors and to perform other duties and responsibilities as assigned by our Directors;
- (v) we have improved the internal control framework by adopting a set of internal control manual and policies in March 2016, including the corporate governance manual, which covers corporate governance, risk management, operations, legal matters, finance and audit;
- (vi) our Directors have attended training conducted by our Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under certain applicable laws and regulations, including the GEM Listing Rules prior to the Listing;
- (vii) our certain staff responsible for our import and export declaration matters in Hong Kong, including Mr. Larry Ng and FAM have attended training conducted by the e-commerce operator of the import and export trade declaration for filing of import and export declaration;

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- (viii) we will engage legal advisers and/or appropriate institutions and/or consultants to advise, update the knowledge of and/or provide trainings to our Directors, senior management and/or relevant employees on the relevant laws and regulations, including changes thereto, which may affect our business operations; and
- (ix) when necessary, we will engage external professionals, such as auditors, internal control consultant, external legal adviser(s) and other advisers to render professional advice as to compliance with statutory and regulatory requirements, as applicable to our Group from time to time.

As at the Latest Practicable Date, we implemented the recommendations from the Internal Control Consultant. The Internal Control Consultant performed follow-up review in December 2016 (which was after our last non-compliance case in August 2016) on our internal control measures implemented for verifying the implementation status of the system improvement recommendations and such measures were implemented. The Internal Control Consultant also reviewed the status of implementation of the internal control measures taken to prevent recurrence of the non-compliance incidents. Based on the findings, recommendations and follow-up results performed by the Internal Control Consultant, it is considered that such remedial actions have been implemented and are effective. No further review of the effectiveness of the internal control implemented was performed by the Internal Control Consultant in respect of our operations after December 2016.

Views of our Directors and the Sponsor regarding the corporate governance

As set out above, we have adopted and implemented the corporate governance and internal control measures to enhance our internal control systems with a view to ensure compliance of various applicable rules and regulations and to prevent the occurrence of any non-compliance in the future. Our Directors believe that the corporate governance and internal control measures are adequate and effective which will ensure a proper internal control system and maintain good corporate governance practices of our Group.

Having taken into account (i) the nature and reasons for the abovementioned non-compliance incidents; (ii) upon our Directors' discovery of the non-compliance incidents involving import and export declarations, our Directors have acted as soon as practicable to rectify the non-compliance incidents and notified the relevant authorities; (iii) that our Group has taken remedial measures and the abovementioned non-compliance incidents have been rectified to the extent practicable; (iv) that our Group has implemented the abovementioned corporate governance and enhanced internal control measures to prevent recurrence of the non-compliance incidents, including but not limited to, our executive Directors will attend, after Listing, at least (a) 15 hours of training for securities-related, corporate governance and companies law-related compliance; and (b) 4 hours of training on business operational matters (e.g. including lodgement of import and export declarations and the operation of related lodgement system) on an annual basis. We have also adopted the policy that for the first two years after Listing, we will report the compliance with the requirements of timely lodgement of accurate and complete import and export declarations under the IAE Registration Regulations in our interim and annual reports; (v) where required, we will engage legal advisers and/or appropriate institutions and/or consultants to advise, update the knowledge of and/or provide trainings to our Directors, senior management and/or relevant employees on the relevant laws and regulations, including changes thereto, which may affect our business operations; (vi) that the non-compliance incidents did not involve any fraudulent or dishonest

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acts of our Directors or senior management or cast doubt on their integrity; and (vii) that to the best knowledge of our Directors, we have complied in all material respects with the relevant requirements in relation to lodgment of trade declarations since August 2016 and up to the Latest Practicable Date, which demonstrates that the enhanced measures have been effective, our Directors consider that the abovementioned non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules or on our suitability for Listing under Rule 11.06 of the GEM Listing Rules and our Group's enhanced internal control measures are adequate and effective.

The Sponsor, after considering the above and having reviewed the internal control measures, findings and recommendations of the Internal Control Consultant, and having considered the above remedial actions taken by our Group and its business nature and current operation scale, concurs with our Director's view that the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules and our Company's suitability for listing under Rule 11.06 of the GEM Listing Rules and our Group's enhanced internal control measures are adequate and effective.

Licences, Permits, Qualifications and Registrations

As at the Latest Practicable Date, to the best knowledge of our Directors, we have been in compliance in all material respects with the applicable laws and regulations in all jurisdictions where we operate business and have obtained all necessary approvals, permits, license and certificates that are material to our business operations from the relevant government authorities.

The following table sets forth details of our certain major licences, permits and certificates:

Licence/permit/certifications	Granting/ registration authority	Holding subsidiary	Date of grant/ registration	Expiry date (where applicable)
A. <i>the PRC</i>				
1. Certificate of Approval of Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese	Shenzhen Municipal People's Government	M&L (Shenzhen)	8 September 2016	N/A
2. Enterprise Business License	Market Supervision Administration of Shenzhen Municipality	M&L (Shenzhen)	1 September 2016	N/A
3. Permit for Opening Bank Account	Central Branch Bank of Shenzhen Municipality of the People's Bank of China	M&L (Shenzhen)	19 June 2013	N/A

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Licence/permit/certifications	Granting/ registration authority	Holding subsidiary	Date of grant/ registration	Expiry date (where applicable)
4. Financial Registration Certificate of Foreign Investment Enterprise	Finance Commission of Shenzhen Municipality	M&L (Shenzhen)	3 July 2009	3 July 2029
5. Foreign Exchange Registration Certificate	Shenzhen Branch of State Administration of Foreign Exchange	M&L (Shenzhen)	N/A	N/A
6. Self Inspection Unit Registration Certificate	Shenzhen Entry-Exit Border Checkpoint Inspection & Quarantine Bureau	M&L (Shenzhen)	20 August 2009	N/A
7. Registration Form for Foreign Trade Operators	Economy, Trade and Information Commission of Shenzhen Municipality	M&L (Shenzhen)	20 July 2009	N/A
8. Organization Credit Code Certificate	Credit Reference Center of the People's Bank of China	M&L (Shenzhen)	24 July 2012	23 July 2017
9. Declaration Registration Certificate of the Customs of the PRC for the Declaration Enterprise	Shenzhen Customs of the PRC	M&L (Shenzhen)	12 August 2015	N/A
<i>B. Singapore</i>				
1. Notification of the use of premises as a factory	Ministry of Manpower of Singapore	M&L (Singapore)	N/A	N/A
2. Approval in-principle for the use of its premises for the manufacture of machinery tool accessories	National Environment Agency of Singapore	M&L (Singapore)	15 December 2014	N/A
3. Certificates of Test/Thorough Visual Examination of Lifting Equipment in respect of wall cranes at its premises	Ministry of Manpower of Singapore	M&L (Singapore)	28 September 2016	21 and 27 September 2017

LEGAL AND ADMINISTRATIVE PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

During the Track Record Period and up to the Latest Practicable Date, the following accidents involving workers employed by our Group took place which may give rise to potential claim or litigation:

1. on 13 February 2015, a worker's face was injured during work and he had received six stitches as a result. Due to miscommunication with our insurance agent, we failed to give notice to the Commissioner for Labour within 14 days after the accident pursuant to section 15 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). Subsequently, we filed the said notice and after which the Labour Department issued warning letter to our Group to remind our Group of the requirements for filing of the said notice. As at the Latest Practicable Date, our Group and the said employee had settled the incident for a sum of HK\$2,000;
2. on 26 August 2016, a worker's thumb was fractured during work. We had given notice to the Commissioner for Labour within the prescribed time pursuant to section 15 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). The Employees' Compensation (Ordinary Assessment) Board has assessed the loss of earning capacity permanently of our worker caused by the injury to be 2%, and the compensation amount for such incapacity has been assessed to be HK\$28,800 under the Employees' Compensation Ordinance. We have fully settled with our worker for the total amount of HK\$81,586.67 (including the aforesaid assessed compensation amount, sick leave compensation and medical expenses), which would be covered by our insurance, regarding this accident; and
3. on 19 May 2017, a worker strained his muscles while moving articles during work. We had given notice to the Commissioner for Labour within the prescribed time pursuant to section 15 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). The worker had resumed duties. As at the Latest Practicable Date, the Labour Department is still assessing the compensation amount for this accident. Please refer to the paragraph headed "Business – Insurance – Hong Kong" in this prospectus for details of our Group's employers' compensation insurance policies which cover our liabilities to the death and injury of our employees.

Our Directors are of the view that the above accidents are not material to the business operations and financial results of our Group. In order to minimise the recurrence of similar accidents in the future, we intend to provide more training to our existing and newly recruited staff on occupational health and safety, equipment operation and works techniques. Such training may include internal training as well as courses organised by external parties.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Board currently consists of seven Directors with four executive Directors and three independent non-executive Directors. The functions and duties of the Board include, but are not limited to, convening general meetings, reporting on performance of the Board at general meetings, implementing resolutions passed at general meetings, formulating business plans and investment plans, preparing annual budget and final accounts, and preparing proposals on profit distribution, as well as performing other authorities, functions and responsibilities in accordance with the Articles.

The following table sets forth information regarding members of the Board:

Directors

Name	Age	Position	Roles and responsibilities	Date of appointment as Director	Date of joining our Group	Relationship with other Directors and senior management
Ng Lai Ming (吳麗明)	53	Chairman, chief executive officer and executive Director	Overall management, strategic development and daily operation of our Group, acting as member of our remuneration committee and nomination committee	24 September 2015	1994	Brother of Mr. Timothy Ng and Mr. Larry Ng
Ng Lai Tong (吳麗棠)	52	Executive Director	Overall business operation and sales of our Group in Hong Kong and the PRC	6 January 2017	First joined our Group in August 1994, and rejoined our Group in June 2001 after leaving us in November 1997	Brother of Mr. Ng and Mr. Larry Ng

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Roles and responsibilities	Date of appointment as Director	Date of joining our Group	Relationship with other Directors and senior management
Cheung King (張勁)	46	Executive Director and director of our fabricated construction steel works division	Overall management of our fabricated construction steel works division	6 January 2017	November 1999	None
Ng Lai Po (吳麗寶)	50	Chief financial officer, executive Director, compliance officer and joint company secretary	Overall financial management and corporate governance of our Group, acting as chairman of our corporate governance committee	6 January 2017	October 2015	Brother of Mr. Ng and Mr. Timothy Ng
Tai Wai Kwok (戴偉國)	47	Independent non-executive Director	Providing independent advice to the Board, acting as the chairman of our audit committee and member of our remuneration committee, nomination committee and corporate governance committee	19 June 2017	19 June 2017	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Roles and responsibilities	Date of appointment as Director	Date of joining our Group	Relationship with other Directors and senior management
Lo Kok Keung (盧覺強)	68	Independent non-executive Director	Providing independent advice to the Board, acting as the chairman of our remuneration committee and member of our audit committee, nomination committee and corporate governance committee	19 June 2017	19 June 2017	None
Lau Chi Leung (劉志良)	67	Independent non-executive Director	Providing independent advice to the Board, acting as the chairman of our nomination committee and member of our audit committee, remuneration committee and corporate governance committee	19 June 2017	19 June 2017	None

DIRECTORS

Executive Directors

Mr. Ng Lai Ming (吳麗明), aged 53, is our chairman, chief executive officer and executive Director. Mr. Ng is one of our founders and Controlling Shareholders. Mr. Ng is primarily responsible for the overall management, strategic development and daily operation of our Group. He was appointed as our Director on 24 September 2015, and currently holds directorship in certain subsidiaries of our Company. He is also a member of our remuneration committee and nomination committee. Mr. Ng is the brother of Mr. Timothy Ng and Mr. Larry Ng.

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Mr. Ng obtained his bachelor's degree in mechanical engineering from Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1989.

Mr. Ng has over 20 years of experience in the construction and engineering industries in Hong Kong. Prior to the establishment of M&L in 1994, Mr. Ng worked in ASM Assembly Automation Limited, a company engaged in the design of wire bonding machines, as a mechanical engineer from October 1989 before he was employed by Howden Fedco Limited (now known as Fedco Limited), a company engaged in the trading of construction equipment, as a sales engineer from March 1993 to October 1994, where he gained considerable working experience in relation to construction equipment.

In 1994, Mr. Ng invited two Independent Third Parties to found M&L with him. Since then, Mr. Ng has been managing the business of our Group. Further details are set out in the section headed "History and Corporate Structure" in this prospectus.

Mr. Ng Lai Tong (吳麗棠), aged 52, is our executive Director. Mr. Timothy Ng is primarily responsible for the overall business operation and sales of our Group in Hong Kong and the PRC. He was appointed as our Director on 6 January 2017, and currently holds directorship in certain subsidiaries of our Company. Mr. Timothy Ng first joined our Group in August 1994, and rejoined our Group in June 2001 after leaving us in November 1997 and was responsible for sales, marketing and overall business strategy of our Group in the PRC. Mr. Timothy Ng is the brother of Mr. Ng and Mr. Larry Ng.

Mr. Timothy Ng obtained his bachelor's degree in science from the Chinese University of Hong Kong in December 1988.

Mr. Timothy Ng has over 25 years of experience in engineering and sales in the construction and manufacturing industries. Mr. Timothy Ng worked in Elcap Electronics Limited (now known as Vitelic (Hong Kong) Limited and is under compulsory winding up as at the Latest Practicable Date), a semiconductor manufacturer, as an engineer from January 1989 to February 1990. He was the process engineer of a LCD factory of Philips Hong Kong Limited (now known as Semiconductors NXP Limited) from March 1990 to January 1992. From November 1997 to May 2001, Mr. Timothy Ng was employed by Schott-Jebsen (China) Limited (now known as Schott Glas China Limited), a company engaged in the production of glass tubing, as a sales engineer.

Mr. Cheung King (張勁), aged 46, is our executive Director. Mr. Cheung is also the director of our fabricated construction steel works division and is primarily responsible for the overall management of our fabricated construction steel works division. He was appointed as our Director on 6 January 2017, and currently holds directorship in certain subsidiaries of our Company. Mr. Cheung joined our Group in November 1999 as a sales director.

Mr. Cheung obtained his higher diploma in electronic engineering from Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1993.

Mr. Cheung has over 20 years of experience in the construction and engineering industries in Hong Kong. From October 1994 to October 1999, Mr. Cheung worked in Eiffel (H.K.) Limited as a project engineer during which he was primarily responsible for providing

DIRECTORS AND SENIOR MANAGEMENT

technical support. Since Mr. Cheung joined our Group in November 1999, he has been primarily responsible for our Group's trading of specialised construction equipment and fabricated construction steel works, and has been gaining substantial experience and technical knowledge in the construction industry.

Mr. Ng Lai Po (吳麗寶), aged 50, is our chief financial officer, executive Director, compliance officer and joint company secretary. Mr. Larry Ng is primarily responsible for the overall financial management and corporate governance of our Group. He joined our Group in October 2015 and was appointed as our Director on 6 January 2017. He is also the chairman of our corporate governance committee. Mr. Larry Ng is the brother of Mr. Ng and Mr. Timothy Ng.

Mr. Larry Ng obtained his bachelor's degree in social sciences from the University of Hong Kong in December 1990. He was a member of the Association of Chartered Certified Accountants from November 1994, and has been a fellow of the association since November 1999.

Mr. Larry Ng has over 20 years of experience in financial and operation management in Hong Kong and the PRC, covering a variety of industries including property management, department store operation, petroleum, fast moving consumer goods, pharmaceutical, luxury and fashion products trading and retailing. From July 1990 to October 2015, Mr. Larry Ng worked in Ernst & Young and various other companies including the following:

Name of company	Principal business activity	Position and responsibilities	Period of services
Shenzhen Brightway Petroleum (Holdings) Co. Ltd ^(Note 1) 深圳市光滙(集團)股份有限公司	Oil and gas storage and distribution	Financial controller Financial, tax and investment management	From June 2001 to January 2003
Wanji Pharmaceutical Holdings Limited ^(Note 2)	Sale of medical equipment, medicinal and winery products	Financial controller and qualified accountant Financial management and compilation of audit reports	From October 2003 to July 2005
A & H Hong Kong Limited	Producing paper and plastic packaging products	Chief financial officer (Asia region) Financial management of operations in the Asia region	From November 2005 to December 2008

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Principal business activity	Position and responsibilities	Period of services
Chow Sang Sang Jewellery Company Limited ^(Note 3)	Manufacture and retail of jewellery	Head of group financial control Financial management of operations in the PRC and financial reporting	From December 2008 to February 2011
G2000 (Apparel) Limited	Design, manufacture and retail of apparel	Head of finance in the PRC Financial management in the PRC and financial reporting	From February 2011 to August 2011
Kader Industrial Company Limited ^(Note 4)	Manufacture and trading of plastic, electronic and stuffed toys and model trains, property investment, and investment holding	Internal audit controller Internal control, product costing review and improvement	From April 2013 to October 2015

Notes:

- (1) English name for identification purpose only.
- (2) Wanji Pharmaceutical Holdings Limited, which is now known as Asia Coal Limited which is engaged in coal mining and trading business, is a company listed on the Stock Exchange (stock code: 835).
- (3) Chow Sang Sang Jewellery Company Limited is a subsidiary of Chow Sang Sang Holdings International Limited which is a company listed on the Stock Exchange (stock code: 116).
- (4) A company listed on the Stock Exchange (stock code: 180).

Mr. Larry Ng has been serving as an independent non-executive director of South Sea Petroleum Holdings Limited, a company listed on the Stock Exchange (stock code: 76) and primarily engaged in the business of developing and producing crude oil in Indonesia, minerals in the PRC and provision of electronic manufacturing services in the United Kingdom, since December 2012.

Independent Non-executive Directors

Mr. Tai Wai Kwok (戴偉國), aged 47, was appointed as our independent non-executive Director on 19 June 2017. He is also the chairman of our audit committee and a member of our remuneration committee, nomination committee and corporate governance committee.

Mr. Tai obtained his bachelor of arts degree in accountancy from the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1991.

DIRECTORS AND SENIOR MANAGEMENT

He has been a member of the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) and a fellow of the Association of Chartered Certified Accountants since September 2003.

Mr. Tai has over 20 years of experience in auditing, accounting and financial related matters. His working experience includes:

Name of company	Principal business activity	Position and Responsibilities	Period of services
Ernst & Young	Certified public accountants	Accountant	From July 1991 to February 1996
Eagle Brand Holdings Limited (a company previously listed on the Singapore Exchange Limited (stock code: Eagle))	Design, manufacture, distribution and sale of ceramic tiles, and sanitary-wares	Deputy chief financial officer and company secretary	From July 1998 to February 2001
BNI Advertising & Information Limited ^(Note 1)	Advertising and information	Chief financial officer and company secretary	From March 2001 to August 2002
Datacraft China/Hong Kong Limited	Wholesale distribution of electronic parts and electronic communications equipment	Finance manager	From September 2002 to April 2004
Hing Wah Industries Limited	Manufacture of bicycle accessories	Chief finance officer and company secretary	From March 2005 to July 2006
Getronics (HK) Limited	Information and communication technology services	Finance director	From August 2006 to February 2008
iMax Technology Company Limited	Virtual item trading platform	Chief financial officer and executive director	From February 2008 to June 2012
SunEase (HK) Limited	Provision of corporate e-mail system and relevant technical support, marketing, operation and management services	Finance director	From February 2013 till present

Note:

(1) BNI Advertising & Information Limited was dissolved by deregistration on 12 March 2010.

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Ir Lo Kok Keung (盧覺強), aged 68, was appointed as our independent non-executive Director on 19 June 2017. Ir Lo is also the chairman of our remuneration committee and a member of our audit committee, nomination committee and corporate governance committee.

Ir Lo obtained his higher certificate in mechanical engineering from the Hong Kong Polytechnic University (formerly known as the Hong Kong Technical College) in July 1972. He has been a chartered engineer of the Institution of Mechanical Engineers since January 2002. Ir Lo has been a fellow of the Institution of Mechanical Engineers and the Institute of Marine Engineering, Science and Technology in the United Kingdom since January 2007 and July 2009, respectively. He has been a member of the Society of Automotive Engineers in the United States of America since October 1985. Ir Lo was admitted as a member of the Hong Kong Institution of Engineers in January 2000 and a registered professional engineer (mechanical) of the Engineers Registration Board in Hong Kong in February 2013. Ir Lo was appointed as a member of the Appeal Board Panel under the Builders' Lifts and Tower Working Platforms (Safety) Ordinance from October 2003 to October 2006 and he has been repeatedly appointed by the Hong Kong Council for Accreditation of Academic & Vocational Qualifications as a specialist.

Ir Lo has over 40 years of experience in teaching, running project laboratories, and assisting in experimental rigs design of research students and professors. Ir Lo was employed by the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) as an associate lecturer of the Department of Mechanical and Marine Engineering from October 1975. He supervised technicians in the design and manufacture of components and assemblies for project work. He also assisted the academic staff in the design and construction of research test rigs. He lectured at higher diploma level in mechanical engineering subjects and provided consultancy service to the industry in the general area of mechanical and automotive engineering. Ir Lo was transferred to the position of scientific officer I in the Department of Mechanical Engineering in December 1999. He was promoted to engineer in April 2005. Before retirement, Ir Lo worked as a temporary half-time engineer in the Department of Mechanical Engineering from February 2014 to August 2015. Ir Lo received the Outstanding Student Section Advisor Award of 2016 from the American Society of Mechanical Engineers in recognition of his leadership and service qualities as the first award winner outside the continents of North and South America since the award established in 1990.

Ir Lo has been serving as an expert witness in the Hong Kong courts of law since January 1994, providing expert witness testimony and evidence related to traffic accidents and mechanical defects.

Mr. Lau Chi Leung (劉志良), aged 67, was appointed as our independent non-executive Director on 19 June 2017. He is also the chairman of our nomination committee and a member of our audit committee, remuneration committee and corporate governance committee.

Mr. Lau obtained his bachelor of arts degree in architectural studies from the University of Hong Kong in November 1973, diploma in architecture from Canterbury College of Art in the United Kingdom in July 1977 and master's degree in project management from the University of Sydney in Australia in October 2004. Mr. Lau has been a member of the Hong

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Kong Institute of Architects for over 36 years and was awarded for his outstanding contribution towards the work of the Hong Kong Institute of Architects in March 2015. He has also been an associate member of the Chartered Institute of Arbitrators since May 1979, the Royal Institute of British Architects since January 1980, a fellow of the Royal Australian Institute of Architects since November 1987 and the Hong Kong Institute of Project Management since September 2004.

Mr. Lau has over 35 years of experience in the building construction and property development industry. His working experience includes the following:

Name of company	Principal business activity	Position and responsibilities	Period of services
Wong Tung & Partners	Architecture	Architect	From July 1978 to March 1980
Cheung Kong (Holdings) Limited (now part of CK Hutchison Holdings Limited ^(Note 1))	Property development	Project manager with his last position being general manager in property development	From March 1980 to May 1988
Concord Pacific Developments Limited	Residential and commercial real estate investment and development	Project manager in Canada	From May 1988 to February 1993
Bafa Properties Limited	Construction of domestic buildings	Project director	From March 1993 to June 1997
Chinese Estates Holdings Limited ^(Note 2)	Property developer	Senior project manager	From January 1998 to January 2000
USI Property Management Limited (now known as Wing Tai Properties Development Limited ^(Note 3))	Property project management	Senior project manager	From February 2000 to August 2003
David S. K. Au and Associates Limited	Architecture consultancy	Principal architect	From August 2003 to March 2006

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Principal business activity	Position and responsibilities	Period of services
Paul Y. Management Limited	Civil engineering and building construction	Senior deputy project director; senior project manager	From February 2013 to May 2013; from May 2013 to August 2014
PAUs Architects Building Maintenance Consultants Limited	Architecture	Project director	Since September 2014 till present

Notes:

- (1) A company listed on the Stock Exchange (stock code: 1).
- (2) A company listed on the Stock Exchange (stock code: 127).
- (3) Wing Tai Properties Development Limited (formerly known as USI Properties Limited) is a subsidiary of Wing Tai Properties Limited which is a company listed on the Stock Exchange (stock code: 369).

Mr. Lau has been registered as an authorised person on the List of Architects (formerly known as List I) and an inspector on the List of Architects under the Buildings Ordinance (Cap. 123) in Hong Kong since February 1995 and February 2013, respectively. He has been a registered architect of the Architects Registration Board in Hong Kong since March 2003. Mr. Lau was appointed as a member of the Minor Works Contractors Registration Committee Panel and the Minor Works Contractors Registration Committee for a period of four years from January 2015, and a member of the Contractors Registration Committee Panel and the Contractors Registration Committee for a period of two years from January 2017.

Please refer to the sub-section headed “Statutory and General Information – C. Disclosure of Interest” in Appendix IV to this prospectus for details of our Directors’ interests in our Shares (within the meaning of Part XV of the SFO), particulars of our Directors’ service contracts, letters of appointment and remuneration.

Save as disclosed above and elsewhere in this prospectus, each of our Directors has confirmed with respect to himself that: (i) he has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not have any relationship with any other Directors, senior management, substantial shareholders or Controlling Shareholders of our Company; (iii) he does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information in relation to his appointment which is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules; and (v) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries there are no other matters that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Name	Age	Position	Roles and responsibilities	Date of appointment as senior management	Date of joining our Group	Relationship with other Directors and senior management
Pang Suk Yee (彭淑儀)	44	Financial controller	Financial management of our Group	October 2015	March 2015	None
Kwok Wai Kai (郭偉佳)	66	Senior sales and marketing manager	Sales management of the foundation segment of our Group	February 2004	February 2004	None
Lam Siu Ling (林小玲)	40	International sales and marketing manager	Sales management of the tunnelling segment of our Group in Hong Kong, Singapore and overseas markets, excluding the PRC	August 2014	July 2013	None
Ho Wing-ho, Ringo (何永浩)	52	Sales manager	Sales management of the fabricated construction steel works division of our Group	August 2013	August 2013	None
Chew Chee Boon (Zhou Zhiwen) (周志文)	36	Regional manager	Regional business operations in Singapore	July 2014	January 2013	None

Ms. Pang Suk Yee (彭淑儀), aged 44, is our financial controller. Ms. Pang joined our Group in March 2015 as an accounting manager and was promoted to financial controller in October 2015. She is mainly responsible for the financial management of our Group, including but not limited to consolidating financial statements at group level, reviewing financial accounts of subsidiaries and liaising with external auditor.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Pang obtained her bachelor's degree of business administration in accounting from the Hong Kong University of Science and Technology in November 1995. She has been a member of the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) since April 2001 and a fellow of the Association of Chartered Certified Accountants since December 2005.

Ms. Pang has over 20 years of experience in accounting and finance. She worked in River Trade Terminal Co. Ltd. (jointly owned by Hutchison Whampoa Limited (now Hutchison Port Holdings Limited) and Sun Hung Kai Properties Limited), which is a purpose-built container terminal for handling river trade cargoes in Hong Kong, as a senior accountant from May to October 2006, and manager from November 2006 to May 2007. She was then employed by Chow Sang Sang Holdings International Limited (stock code: 116) which is a jewellery retailer as an accountant from July 2007 to October 2014.

Mr. Kwok Wai Kai (郭偉佳), aged 66, is the senior sales and marketing manager of our foundation works division and is primarily responsible for the sales management of our foundation division. Mr. Kwok joined our Group in February 2004 and was responsible for our Group's foundation business in Hong Kong.

Mr. Kwok has over 30 years of experience in the foundation industry. Prior to joining our Group in 2004, Mr. Kwok was a sales manager in Howden Fedco Limited (now known as Fedco Limited), which was a company engaged in the trading of construction equipment, from April 1982 to March 2002. He was employed by Gene Brunt (International) Limited, a subsidiary of Getz Bros. & Co., Inc. which is a non-commodity marketing and distribution services company in the United States, as manager in the geotech supplies division from May 2002 to January 2004.

Ms. Lam Siu Ling (林小玲), aged 40, is our international sales and marketing manager. Ms. Lam joined our Group in July 2013 and is primarily responsible for the sales management of the tunnelling segment of our Group in Hong Kong, Singapore and overseas markets, excluding the PRC.

Ms. Lam obtained her bachelor's degree in materials engineering from City University of Hong Kong in November 2003.

Ms. Lam has over 12 years of experience in sales and engineering. She started off as an assistant sales engineer in Nypro Tool Hong Kong Limited from August 2003 to September 2004. Ms. Lam worked in Intertek Testing Services Hong Kong Limited, a subsidiary of Intertek Group plc (a company listed on the London Stock Exchange plc which provides product testing, inspection and various services), as client services executive from November 2004 to September 2006. She was the merchandising control executive of Runa International (Hong Kong) Company Limited, which is a company engaged in the import and export of toys, watches and giftware, from December 2007 to December 2009 and the sales manager of Ming Wai Metal Products Ying Wah Industrial Co., a subsidiary of Gold City Technology Ltd., from December 2009 to May 2013.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho Wing-ho, Ringo (何永浩), aged 52, is our sales manager. Mr. Ho joined our Group in August 2013 and is responsible for the sales management of the fabricated steel works division of our Group.

Mr. Ho obtained his higher diploma in civil engineering (municipal) and an endorsement certificate in environmental technology from the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1987 and November 1989 respectively. Mr. Ho also obtained his professional diploma in marketing management from the Hong Kong Management Association in August 1995 and his bachelor's degree in commerce management and marketing from Curtin University of Technology, Australia in June 1999 through distance learning.

Mr. Ho has over 29 years of engineering and sales experience in the construction industry in Hong Kong. From 1988 to now, Mr. Ho worked in various companies engaged in the construction material business as engineer, sales engineer and sales executive. Mr. Ho was the sales engineer of Sika Hong Kong Ltd. and was responsible for the sales of building construction products from May 1999 to September 2001. He was the sales manager of Degussa Construction System (China) Co., Ltd and was responsible for sales management of industrial flooring products from September 2001 to February 2005. He was the sales and marketing manager of Advan Jewelry Ltd and was responsible for the sales and production management of the company from May 2005 to June 2006. He was the sales engineer of Bauhinia Paints Manufacturing Ltd. and was responsible for the promotion of architectural and industrial paint from March 2006 to March 2008. He was the sales and marketing manager of Normet Hong Kong Ltd from January 2008 to August 2013.

Mr. Chew Chee Boon (Zhou Zhiwen) (周志文), aged 36, is our regional manager in Singapore. Mr. Chew joined our group in January 2013 as assistant regional manager and was promoted to regional manager of Singapore M&L in July 2014. He is primarily responsible for the regional business operation of our Group in Singapore.

Mr. Chew obtained his diploma in electronic and computer engineering from Singapore Ngee Ann Polytechnic in August 2001, his bachelor's degree of science in computer systems engineering (computer science) from Nottingham Trent University in the United Kingdom in November 2007 through distance learning, his master's degree in international management from the University Schools of Management IAE France in March 2010 and his master's degree in Management from Université Grenoble Alpes (formerly known as Université de Grenoble 2) in April 2010, both in France.

Prior to joining our Group, Mr. Chew was employed by Ross Recruitment (S) Pte. Ltd. (now known as Chandler Macleod Group Pte. Ltd.), a provider of human resources services, and was deployed to support Seagate International Headquarters Pte Ltd. on a one year contract from March 2010 to March 2011. He was forthwith retained by Seagate Singapore International Headquarters Pte Ltd. as engineer II in firmware engineering organisation.

Save as disclosed above, none of our senior management (i) has held any directorships in the past three years in any public companies whose securities are listed on any securities market in Hong Kong or overseas; or (ii) has any relationship with other Directors, senior management and Controlling Shareholders of our Company.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Ng Lai Po (吳麗寶), is the joint company secretary of our Group, being responsible for corporate governance of our Group. Mr. Larry Ng is also an executive Director, our chief financial officer and compliance officer. For further details of Mr. Larry Ng, please refer to the paragraph headed “Directors – Executive Directors” above.

Mr. Chan Sun Kwong (陳晨光), aged 50, was appointed as the joint company secretary of our Group on 19 June 2017. He is responsible for corporate governance of our Group.

Mr. Chan obtained his diploma of business administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1990. He is a fellow of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in the United Kingdom, the Chartered Association of Certified Accountants in the United Kingdom and the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants). Mr. Chan is also a mediator of both Hong Kong Mediation Accreditation Association Limited and the Hong Kong Mediation Centre.

Mr. Chan has over 20 years of experience in the accounting, auditing and company secretarial fields in Hong Kong. From 1992 to 1998, Mr. Chan was engaged as the senior management of two companies listed on the Hong Kong Stock Exchange. He had also served as company secretary of UDL Holdings Limited (now known as DTXS Silk Road Investment Holdings Company Limited) (stock code: 620) from January 1992 to September 1997 and as company secretary of KEL Holdings Limited (now known as Chinese People Holdings Company Limited) (stock code: 681) from March 1997 to September 1997. He has been the sole proprietor of Ken Chan & Co. Certified Public Accountants, since July 1998. He was the company secretary of Ming Hing Holdings Limited (now known as Peace Map Holding Limited) (stock code: 402) from November 2005 to October 2006, an independent non-executive director of Anex International Holdings Limited (now known as Sustainable Forest Holdings Limited) (stock code: 723) from February 2006 to January 2008 and the company secretary of Powerwell Pacific Holdings Limited (stock code: 8265) from December 2010 to September 2014. He was the company secretary and an executive director of Sam Woo Holdings Limited (now known as Noble Century Investment Holdings Limited) (stock code: 2322) from March 2003 to June 2011, an independent non-executive director of Creative Energy Solutions Holdings Limited (now known as Kirin Group Holdings Limited) (stock code: 8109) from July 2010 to November 2010, Megalogic Technology Holdings Limited (stock code: 8242) from December 2011 to April 2015 and Pak Tak International Limited (stock code: 2668) from December 2014 to August 2016.

DIRECTORS AND SENIOR MANAGEMENT

In addition, Mr. Chan currently holds the following positions in the companies listed on the Stock Exchange:

Name of company	Stock Code	Position currently held by Mr. Chan	Period of Services
Altus Holdings Limited	8149	Independent non-executive director	From September 2016 till present
Sam Woo Construction Group Limited	3822	Company secretary	From January 2013 till present
KPa-BM Holdings Limited	8141	Company secretary	From June 2015 till present

COMPLIANCE OFFICER

Mr. Ng Lai Po (吳麗寶) is the compliance officer of our Group. Mr. Larry Ng is also an executive Director, our chief financial officer and joint company secretary. For further details of Mr. Larry Ng, please refer to the paragraph headed “Directors – Executive Directors” above.

CORPORATE GOVERNANCE

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. To accomplish this, we have adopted the code provisions set out in the Corporate Governance Code.

BOARD COMMITTEES

Audit committee

The audit committee was established by our Company pursuant to a resolution of the Board on 19 June 2017 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C3 of the Corporate Governance Code. The primary duties of the audit committee are to review and approve our Group’s financial reporting, risk management and internal control principles and maintain an appropriate relationship with our auditors. The members of the audit committee are Mr. Tai Wai Kwok, Ir Lo Kok Keung and Mr. Lau Chi Leung, all of whom are independent non-executive Directors. Mr. Tai Wai Kwok is the chairman of the audit committee.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration committee

The remuneration committee was established by our Company pursuant to a resolution of the Board on 19 June 2017 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B1 of the Corporate Governance Code. The primary duties of the remuneration committee are to review and approve our management's remuneration proposals, and to make recommendations on our policy and structure for the remuneration of our management. The members of the remuneration committee are Mr. Ng, Mr. Tai Wai Kwok, Ir Lo Kok Keung, and Mr. Lau Chi Leung. Ir Lo Kok Keung is the chairman of the remuneration committee.

Nomination committee

The nomination committee was established by our Company pursuant to a resolution of the Board on 19 June 2017 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code. The primary duties of the nomination committee are to make recommendations on appointment of Directors and Board succession. The members of the nomination committee are Mr. Ng, Mr. Tai Wai Kwok, Ir Lo Kok Keung, and Mr. Lau Chi Leung. Mr. Lau Chi Leung is the chairman of the nomination committee.

Corporate governance committee

The corporate governance committee was established by our Company pursuant to a resolution of the Board on 19 June 2017 with written terms of reference in compliance with D.3.1 of the Corporate Governance Code. The primary duties of our corporate governance committee are (i) to develop and review our Group's policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuous professional development of our Directors and senior management; (iii) to review and monitor our Group's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) to review our Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report. The members of our corporate governance committee are Mr. Larry Ng, Mr. Tai Wai Kwok, Ir Lo Kok Keung and Mr. Lau Chi Leung. Mr. Larry Ng is the chairman of our corporate governance committee.

CORPORATE GOVERNANCE CODE

As required by code provision A.2.1 of the Corporate Governance Code, the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Ng currently performs these two roles concurrently. Our Board believes that vesting the roles of both the chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group for more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority within

DIRECTORS AND SENIOR MANAGEMENT

our Group will not be impaired by the present arrangement and the current structure will enable our Company to make and implement decisions more promptly and effectively. Our Board will from time to time review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company to ensure that appropriate and timely arrangements are in place to meet changing circumstances.

REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to the performance of our Company, which is expected to be determined with reference to their respective qualification, experience, duties, performance, contribution (or potential contribution) and the prevailing market rate. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations.

Please refer to the paragraph headed “Statutory and General Information – Disclosure of Interest – Remuneration” in Appendix IV to this prospectus for details of remuneration paid and payable to our Directors.

The emoluments (including remuneration, benefits in kind, pension contribution and discretionary bonus) paid to the five highest paid individuals for the years ended 31 December 2015 (including 3 of our executive Directors) and 31 December 2016 (including 4 of our executive Directors) were approximately HK\$6,667,000 and HK\$6,339,000 respectively.

Save as disclosed herein, no remuneration was paid by our Group to our Directors or the five highest paid individuals (including our certain executive Directors) as an inducement to join or upon joining our Group or as compensation for the loss of office during the Track Record Period.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme under the written resolutions of our Shareholders passed on 19 June 2017. The purpose and the principal terms of the Share Option Scheme are summarized in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

COMPLIANCE ADVISER

Pursuant to Rule 6A.19 of the GEM Listing Rules, our Company has appointed VMS Securities Limited as our compliance adviser. The compliance adviser will advise us on the following matters pursuant to Rule 6A.23 of the GEM Listing Rules:–

- (i) before the publication by our Company of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under Chapter 19 or 20 of the GEM Listing Rules, is contemplated including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results deviate from any forecast, estimate or other information of this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in our Shares, or any other matters under Rule 17.11 of the GEM Listing Rules.

The term of the appointment will commence on the Listing Date and is expected to end on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date.

CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

As part of the Placing, we and Aristo, being one of the Joint Bookrunners and Joint Lead Managers, have entered into the cornerstone investor placing agreement (the “**Cornerstone Placing Agreement**”) with Best Captain Holdings Limited (the “**Cornerstone Investor**”) on 21 June 2017, pursuant to which the Cornerstone Investor has agreed to subscribe for 10,680,000 Shares (the “**Investor Shares**”) at the Offer Price (excluding brokerage, SFC transaction levy and Stock Exchange trading fee which the Cornerstone Investor will pay in respect of the Investor Shares) (the “**Cornerstone Placing**”). The Investor Shares represent approximately 7.9% of the total number of Placing Shares initially offered under the Placing, and 1.78% of total number of issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (assuming the options which may be granted under the Share Option Scheme are not exercised).

The Cornerstone Placing will form part of the Placing and the Cornerstone Investor will not subscribe for any Offer Shares under the Share Offer (other than and pursuant to the Cornerstone Placing Agreement). The Offer Shares to be subscribed for by the Cornerstone Investor will rank pari passu in all respects with the other fully paid Shares in issue upon completion of the Share Offer and will be counted towards the public float of our Company. The Cornerstone Investor will not have any board representation in our Company, nor will it become a substantial shareholder (within the meaning of the GEM Listing Rules) of our Company. No special right has been granted to the Cornerstone Investor.

The Offer Shares to be subscribed for by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares from the Placing to the Public Offer in the event of over-subscription under the Public Offer as described in the paragraph headed “Structure of the Share Offer – Public Offer” in this prospectus.

CORNERSTONE INVESTOR

The Cornerstone Investor is a company incorporated in the BVI. Based on the information provided by the Cornerstone Investor, it is an investment holding company and is wholly owned by Mr. Lau Chun Ming (“**Mr. Lau**”). Mr. Lau is the chairman of the board of directors of Sam Woo Construction Group Limited (“**Sam Woo**”), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock code: 3822). Mr. Lau, being the founder of a discretionary trust, was deemed to be interested in approximately 71.43% of the issued share capital of Sam Woo under the SFO as at the Latest Practicable Date. Sam Woo, together with its subsidiaries (collectively, the “**Sam Woo Group**”), are principally engaged in the provision of (i) foundation works, including the construction of bored piles, rock socketed H-piles and excavation and lateral support works; and (ii) ancillary services, including site investigation and removal of installed piles.

CORNERSTONE INVESTOR

During the Track Record Period, the Sam Woo Group was one of our customers for the foundation equipment supplied by us. As at the Latest Practicable Date, Mr. Ng and Mr. Cheung held approximately 0.1% and less than 0.01% of the issued shares of Sam Woo. To the best knowledge and belief of our Company, each of the Cornerstone Investor and Mr. Lau is an Independent Third Party, not our connected person and not an existing Shareholder of our Company.

CONDITIONS PRECEDENT

The obligation of the Cornerstone Investor under the Cornerstone Placing Agreement is subject to the following conditions precedent having been fulfilled on or before 30 July 2017 (or such other date as may be agreed by the Cornerstone Investor and Aristo):

- (i) the Public Offer Underwriting Agreement and the Placing Underwriting Agreement having been entered into and having become unconditional (in accordance with their respective terms) by no later than the respective time and date specified therein;
- (ii) the Offer Price having been agreed upon between our Company and Joint Bookrunners (for themselves and on behalf of the Underwriters);
- (iii) neither of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement having been terminated; and
- (iv) the Listing Division having granted the listing of, and permission to deal in, our Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

Pursuant to the Cornerstone Placing Agreement, the Cornerstone Investor has agreed that, the Cornerstone Investor shall not, whether directly or indirectly, without the prior consent of our Company and Aristo, during the period of six months following the Listing Date (“**Cornerstone Lock-up Period**”):

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interests of the Investor Shares (or any interest in any company or entity holding any of the Investor Shares);
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Investor Shares (or any interest in any company or entity holding any of the Investor Shares);
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above;

CORNERSTONE INVESTOR

- (iv) suffer or permit any person (“**Cornerstone Investor’s Shareholder**”) who has a beneficial interest in the Cornerstone Investor to enter into a transaction the economic effect of which is similar to effecting a transaction of a kind described in (i), (ii) or (iii) above in relation to the share capital of that Cornerstone Investor’s Shareholder; or
- (v) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii), (iii) or (iv) above,

whether any of the transactions above is to be settled by delivery of the Investor Shares, in cash or otherwise.

After the expiry of the Cornerstone Lock-up Period, the Cornerstone Investor shall first inform and consult our Company and Aristo prior to any transactions described in (i) to (v) above and the Cornerstone Investor shall use its best endeavours to ensure that the undertaking of any such transactions will not create a disorderly or false market, and will comply with all applicable laws and regulations and rules of securities exchanges including the GEM Listing Rules, the Companies Ordinance (Miscellaneous Provisions), the Companies Ordinance and the SFO.

Pursuant to the Cornerstone Placing Agreement, the Cornerstone Investor has further agreed that, save with our consent, the aggregate holding (direct and indirect) of the Cornerstone Investor and its associates in the total issued share capital of our Company shall be less than 10% of our Company’s entire issued share capital at any time.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issue as fully paid or credited as fully paid as at the date of this prospectus and immediately following completion of the Share Offer and the Capitalisation Issue.

As at the date of this prospectus

<i>Authorised share capital:</i>		<i>HK\$</i>
1,000,000,000 Shares		10,000,000
<i>Issued share capital:</i>		
10,000 Shares in issue		100

Immediately following completion of the Share Offer and the Capitalisation Issue

<i>Authorised share capital:</i>		
1,000,000,000 Shares		10,000,000
<i>Issued share capital:</i>		
10,000 Shares in issue		100
449,990,000 Shares to be issued pursuant to the Capitalisation Issue		4,499,900
150,000,000 Offer Shares to be issued pursuant to the Share Offer		<u>1,500,000</u>
Total:	<u>600,000,000 Shares</u>	<u>6,000,000</u>

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and Shares are issued pursuant to the Capitalisation Issue and the Share Offer. It takes no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after Listing under the GEM Listing Rules is 25% of its total number of issued shares from time to time.

SHARE CAPITAL

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank pari passu in all respects with all other Shares in issue as mentioned in this prospectus (other than the entitlements under the Capitalisation Issue), and in particular, 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.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed “Statutory and general information – Share Option Scheme” in Appendix IV to this prospectus.

ISSUING MANDATE

Subject to the conditions stated in the section headed “Structure of the Share Offer – Conditions of the Share Offer” in this prospectus being fulfilled or waived, our Directors have been granted a general unconditional mandate to allot, issue and deal with shares or securities or options convertible into shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of our share capital in issue immediately following completion of the Share Offer and the Capitalisation Issue plus the aggregate nominal value of our share capital repurchased by us under the repurchase mandate described below. For further details, please see the paragraph headed “Statutory and general information – Further information about our Company and our subsidiaries – 3. Written resolutions of our Shareholders passed on 19 June 2017” in Appendix IV to this prospectus.

REPURCHASE MANDATE

Subject to the conditions stated in the paragraph headed “Structure of the Share Offer – Conditions of the Share Offer” in this prospectus being fulfilled or waived, our Directors have been granted a general unconditional mandate to repurchase on the Stock Exchange, or any other recognized stock exchange on which our shares may be listed such number of shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of our share capital in issue immediately following completion of the Share Offer and the Capitalisation Issue. For further details, please see the paragraphs headed “3. Written Resolutions of our Shareholders passed on 19 June 2017” and “6. Repurchase of securities” in the section headed “Statutory and General Information – Further Information about our Company and our Subsidiaries” in Appendix IV to this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue, without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, our Company is owned as to approximately 60.68% by BVI (X), 5.17% by Mr. Cheung, 4.84% by Mr. Timothy Ng, 0.75% by Mr. Larry Ng and 3.56% by the Pre-IPO Investor. Each of BVI (X) and Mr. Ng is considered as a Controlling Shareholder for the purpose of the GEM Listing Rules. Mr. Ng is also an executive Director, chairman of the Board and the chief executive officer of our Group.

COMPETITION AND CONFLICTS OF INTEREST

Our Directors, to the best of their knowledge, information and belief, have confirmed that, none of our Controlling Shareholders, substantial shareholders, our Directors and their respective close associates has any business or interests (including directorship or ownership of an entity) which competes, or may compete, directly or indirectly, with the business of our Group and/or other conflicts of interest with our Group within the meaning of Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and/or their respective close associates after Listing for the following reasons:

Management independence

Our Board consists of seven Directors, including four executive Directors and three independent non-executive Directors. Its main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Board, together with our senior management, are collectively responsible for making our management and operational decisions.

Having considered the following factors as well as the Non-Competition Deed as described below, we consider that our Board and senior management will function independently from our Controlling Shareholders:

- (a) except for Mr. Timothy Ng and Mr. Larry Ng who are the brothers of Mr. Ng, our other four Directors and senior management members are independent from our Controlling Shareholders. Further, each Director is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) subject to the exceptions set out in paragraphs (1), (2), (4) and (5) of Note 5 to Appendix 3 of the GEM Listing Rules, our Directors shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates (The references to “close associate” shall be changed to “associate” where the transaction or arrangement is a connected transaction under Chapter 20 of the GEM Listing Rules) has a material interest (“**Conflicting Transaction**”) nor shall he be counted in the quorum present at the meeting. In the event that there is a Conflicting Transaction which shall be submitted to our independent non-executive Directors for their consideration and approval, we consider our independent non-executive Directors possess extensive experience and knowledge to oversee such a Conflicting Transaction from different aspects;
- (c) Mr. Ng is a director of our Company as well as a director of BVI (X), which is our corporate Controlling Shareholder. Since BVI (X) has no business other than holding its shareholding interests in our Company, our Directors do not consider that there is any issue in relation to management independence arising from the overlapping of Mr. Ng’s directorship in our Company and BVI (X); and
- (d) we have also appointed three independent non-executive Directors to ensure that there is a strong independent element in the Board and with a view to promoting the best interests of our Company and Shareholders taken as a whole. Our independent non-executive Directors have diversified skills and experience in their respective fields of expertise and the Directors believe that the Board will benefit from their independent advice.

Operational independence

Save as disclosed in the paragraph headed “Management independence” above, our Group is operationally and administratively independent of our Controlling Shareholders and their close associates, as we have our own operational facilities and capabilities, independent management team, operational personnel and administrative personnel to handle our day-to-day operations, and do not rely on our Controlling Shareholders and their close associates for our revenue or any other transactions between our Group and our Controlling Shareholders or their close associates after the Listing. We also have independent access to suppliers and customers, and are in possession of all relevant licenses necessary to carry on and operate our business. Our Directors believe that we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders and their close associates after the Listing.

Independence of major suppliers

Our Directors confirm that save for the interests and positions of Mr. Ng, Mr. Timothy Ng and Mr. Cheung in MEK and/or Palmieri (China) prior to the MEK Disposal, none of our Controlling Shareholders, our Directors and their respective close associates have any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Palmieri (China) was a wholly owned subsidiary of MEK, which prior to the MEK Disposal, was owned by Mr. Ng, Mr. Timothy Ng, Mr. Cheung in aggregate as to 35%. In January 2016, Mr. Ng, Mr. Timothy Ng and Mr. Cheung disposed of their respective equity interests in MEK, and do not currently hold any position in Palmieri (China) and MEK. For further details, please refer to the section headed “History and Corporate Structure – Reorganisation – E. MEK Disposal” in this prospectus.

Independence of major customers

Our Directors confirm 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.

Financial independence

We have an independent financial accounting system and make financial decisions according to our own business needs. All of outstanding balances with our Controlling Shareholders will be settled and all personal guarantees from our Controlling Shareholders will be released before or upon Listing. We have sufficient capital to operate our business independently, and have adequate internal resources, including proceeds from the Share Offer, to support our daily operations. We are therefore financially independent from our Controlling Shareholders.

Therefore, in view of the above fact, our Group is considered independent in all material aspects including finance, management and operations of the Controlling Shareholders.

NON-COMPETITION DEED

For the purpose of the Listing, our Controlling Shareholders have entered into the Non-Competition Deed with our Company, pursuant to which each of the Controlling Shareholders has, jointly and severally, unconditionally and irrevocably undertaken to and covenanted with our Company (for itself and as trustee for each of its subsidiaries) that:

- (a) subject as set out below, it/he would not, and would procure that its/his close associates (other than any members of our Group) would not, directly or indirectly, either on its/his own account or in conjunction with or on behalf of any person, firm or company, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise) any activity or business which is or may be in competition, directly or indirectly, with the business carried on or contemplated to be carried on by any member of our Group from time to time (“**Restricted Activity**”), except where our Company’s approval as mentioned below is obtained; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) in the event that it/he or its/his close associate(s) is given/identifies any opportunities which directly or indirectly competes, or may lead to competition with the Restricted Activity, it/he will and will procure it/his close associate(s) to, as soon as practicable inform our Group of such opportunity in writing, provide such information as is available to it/him in respect of such opportunity to our Group, refer such opportunity to our Group, and use all reasonable endeavours to procure the person who communicated the opportunity to the Controlling Shareholders or their respective close associates to contact our Group directly regarding the opportunity upon becoming aware of it, and that it/he could engage in the Restricted Activity only upon our Company, after consideration by (i) all our independent non-executive Directors (where the case requires, by referring to the independent advice or opinion given by the independent financial adviser); and (ii) our Board (provided that our Directors attending or voting on the relevant meeting shall not have any interest in the Restricted Activity or the opportunity connected thereto), resolving not to carry out or otherwise engage in the Restricted Activity.

Our Controlling Shareholders and their respective close associates are entitled to invest, participate, engage or have an interest in any Restricted Activity if we have confirmed in writing that we do not wish to be engaged or interested in the relevant Restricted Activity and have approved the relevant Controlling Shareholders and their respective close associates to invest, participate, engage or have any interest in the Restricted Activity.

Each of our Controlling Shareholders has represented and warranted that, as of the date of the Non-Competition Deed, neither it/he/she nor any of its/his/her close associates was interested, involved or engaged, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Activity otherwise than through our Group or was otherwise engaged in any business which is in competition or potential competition to those of our Group.

Pursuant to the Non-competition Deed, each of our Controlling Shareholders has also undertaken to our Company the following:

- (a) to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors of its/his compliance with the terms of the Non-Competition Deed and the enforcement of the Non-Competition Deed;
- (b) to procure our Company to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of its/his non-competition undertakings under the Non-Competition Deed either through our annual report, or by way of announcements to the public; and
- (c) to make an annual declaration on compliance with his/its undertaking under the Non-Competition Deed in the annual reports of our Company as the independent non-executive Directors think fit and ensure that the disclosure of details of its/his compliance with and the enforcement of the non-competition undertakings under the Non-Competition Deed is consistent with the relevant requirements under the GEM Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Non-Competition Deed does not apply to:

- (a) the holding of or interests in the shares of any member of our Group; or
- (b) the holding of or interests in shares or other securities in any company (other than our Group) which conducts or is engaged in any Restricted Activity, provided that, in the case of such shares, they are listed on a recognised stock exchange and either:
 - (i) the relevant Restricted Activity (and assets relating thereto) accounts for less than 5% of that relevant company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
 - (ii) the total number of the shares held by our Controlling Shareholders and/or their respective close associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that our Controlling Shareholders and/or their respective close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company or otherwise participate in or be involved in the management of that company and that at all times there should exist at least another shareholder of that company (together, where appropriate, with its close associates) whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and/or their respective close associates (in aggregate).

The obligations of our Controlling Shareholders under the Non-Competition Deed will cease to have any effect whatsoever on:

- (a) the date on which our Shares cease to be listed on the Stock Exchange; or
- (b) the date on which (i) none of our Controlling Shareholders is a Director; and (ii) our Controlling Shareholders and/or its/his close associates cease to be entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company,

whichever occurs first.

CORPORATE GOVERNANCE MEASURES

Our Company will further adopt the following measures to manage the conflict of interest arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our independent Shareholders:

- (a) in preparation for the Listing, our Company has amended our Articles to comply with the GEM Listing Rules. In particular, our Articles provide that, except for certain exceptions permitted under the GEM Listing Rules or the Stock Exchange, a Director shall not vote on any board resolution approving any contract in relation to which he has a material interest, nor shall such Director be counted in the quorum present at the meeting;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) we have appointed VMS Securities Limited as our compliance adviser, which will provide advice and guidance to us with respect to compliance with the applicable GEM Listing Rules, including but not limited to various requirements relating to Directors' duties;
- (c) our independent non-executive Directors will review, at least on an annual basis, the compliance with the Non-Competition Deed by our Controlling Shareholders on their existing or future businesses;
- (d) each of our Controlling Shareholders has undertaken to provide all information necessary for the annual review by our independent non-executive Directors of its/his/her compliance with the terms of the Non-Competition Deed and the enforcement of the Non-Competition Deed;
- (e) we will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Non-Competition Deed either through our annual report, or by way of announcements to the public;
- (f) each of our Controlling Shareholders will make an annual declaration of compliance with the Non-Competition Deed in the annual reports of our Company;
- (g) the management structure of our Group includes an audit committee, a remuneration committee, a nomination committee and a corporate governance committee, the terms of reference of each of which will require them to be alert to prospective conflict of interest and to formulate their proposals accordingly; and
- (h) pursuant to the Corporate Governance Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

Our Directors consider that the above corporate governance measure are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors or chief executive, immediately following completion of the Share Offer and the Capitalisation Issue, without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following person(s), not being a Director or chief executive of our Company, will have an interest or short position in our Shares or our underlying shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required pursuant to section 336 of the SFO to be entered in the register referred to therein or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Capacity/Nature of Interest	Aggregate number of Shares or Underlying Shares	Approximate percentage of interest in our Company
BVI (X) (<i>Note 1</i>)	Beneficial owner	364,095,000	60.68%
Ms. Law So Lin (<i>Note 2</i>)	Interest of spouse	364,095,000	60.68%

Notes:

1. BVI (X) is wholly owned by Mr. Ng. Under the SFO, Mr. Ng is deemed to be interested in all the Shares in which BVI (X) is interested.
2. Ms. Law So Lin is the spouse of Mr. Ng, therefore she is deemed to be interested in all the Shares in which Mr. Ng is interested in.

Save as disclosed herein, our Directors are not aware of any other person who will, immediately following completion of the Share Offer and the Capitalisation Issue, without taking into account of any Shares which may be allotted and 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 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 which will be required pursuant to section 336 of the SFO to be entered in the register referred to therein or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

For details of the lock-up arrangements and undertakings restricting some of our Shareholders from selling or otherwise disposing of our Shares, please refer to the section headed “Underwriting” in this prospectus.

FINANCIAL INFORMATION

The following discussion and analysis of our Group's financial condition and results of operations should be read in conjunction with our consolidated financial information as at 31 December 2015 and as at 31 December 2016 and for the years ended 31 December 2015 and 31 December 2016 together with the accompanying notes as set out in the Accountant's Report in Appendix I to this prospectus. The following discussion contains forward-looking statements that involve risks and uncertainties. However, whether our actual results and developments will meet our expectations and projection depends on a number of risks and uncertainties over which our Group does not have control. For further information regarding the factors that could cause or contribute to such differences, you should refer to the sections headed "Risk Factors" and "Business" in this prospectus.

OVERVIEW

We position ourselves as an Integrated Engineering Solutions provider in connection with specialised cutting tools and parts for construction equipment with particular focus on Disc Cutters. Disc Cutters are widely used in conjunction with TBMs and micro-tunnelling equipment and typically applied towards the excavation of tunnels with a circular cross section through a variety of soil and rock strata. In addition to our focus in the tunnelling sector, we also provide Integrated Engineering Solutions to our customers in the foundation sector.

In general, our Integrated Engineering Solutions involve (i) the supply of specialised cutting tools and parts for construction equipment; (ii) the supply of fabricated construction steel works and equipment; (iii) the supply of specialised construction equipment; and (iv) ancillary services which include leasing of specialised construction equipment, and repair and maintenance services. Our business can broadly be categorised into two segments, namely tunnelling and foundation.

Our revenue for the years ended 31 December 2015 and 31 December 2016 was approximately HK\$310.1 million and HK\$247.3 million, respectively. For the same periods, our net profit after taxation was approximately HK\$27.3 million and HK\$22.1 million, respectively.

Recent developments

Based on our unaudited management accounts of our Group made up to the period of four months ended 30 April 2017, the unaudited monthly revenue for the four months ended 30 April 2017 was lower than the monthly average revenue for the year ended 31 December 2016, which was mainly attributable to the relatively low revenue recorded in February 2017 due to Chinese New Year holiday, and such impact was partially offset by the increase in revenue derived from projects located in the PRC and related to the supply of specialised cutting tools and parts for construction equipment in January and March 2017.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we were awarded with four sizeable contracts and one purchase order under an ongoing project for the supply of specialised cutting tools and parts for construction equipment with purchase amount

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exceeding HK\$4.0 million. All of the aforesaid sizeable contracts were for tunnelling projects in the PRC and the aforesaid purchase order was related to tunnelling project in Singapore. The aforesaid sizeable contracts and purchase order have an aggregate contract/purchase amount of approximately HK\$27.9 million. Our outstanding contracts on hand as at the Latest Practicable Date amounted to approximately HK\$15.4 million, most of which is expected to be recognised as revenue for the year ending 31 December 2017. In addition, in December 2016, M&L (as the sole and exclusive agent and representative) and Palmieri entered into the 2016 Exclusive Agreement in respect of certain TBM products in Australia and New Zealand for an initial term of five years.

The total indebtedness of our Group as at 30 April 2017, being the latest practicable date for determining the amount of indebtedness in this prospectus, amounted to approximately HK\$20.1 million. Further details of our Group's indebtedness statement as at 31 December 2015, 31 December 2016 and 30 April 2017 are set out under the paragraph headed "Financial information – Indebtedness" in this prospectus. As at 30 April 2017, approximately HK\$39.0 million of our trade receivables of approximately HK\$70.4 million outstanding as at 31 December 2016 have been settled.

In March 2017, our Group has declared a dividend of approximately HK\$11.1 million, of which approximately HK\$10.0 million and HK\$1.1 million was attributable to equity holders of our Company and non-controlling interests, respectively. The entire dividend amount attributable to equity holders of our Company of approximately HK\$10.0 million has been settled. In April 2017, our Group has further declared a dividend of approximately HK\$8.4 million, with approximately HK\$8.0 million and HK\$0.4 million of which was attributable to equity holders of our Company and non-controlling interests, respectively. The portion attributable to the equity holders of our Company has been fully settled.

BASIS OF PRESENTATION OF OUR FINANCIAL INFORMATION

The financial information of our Group has been prepared in accordance with Hong Kong Financial Reporting Standards and under the historical cost convention, as modified by the revaluation of investment properties and assets held for sale, which are carried at fair values.

Our further financial information on the basis of preparation of the financial information is set out in Note 2 "Summary of significant accounting policies" of the Accountant's Report contained in Appendix I to this prospectus.

SIGNIFICANT FACTORS AFFECTING OPERATING RESULTS AND FINANCIAL CONDITION OF OUR GROUP

The results of operations and financial condition of our Group have been and will continue to be affected by a number of factors, including those discussed below and under the section headed "Risk factors" in this prospectus.

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Our largest supplier – Palmieri Group

Developing and maintaining close and mutually beneficial relationships with our key suppliers is a success factor of our Group. As at the Latest Practicable Date, our length of business relationship with our five largest suppliers ranged from three to 19 years. We had 19 years of business relationships with the Palmieri Group, our largest supplier. Purchases from Palmieri Group accounted for approximately 75.0% and 81.1% of our cost of sales during the years ended 31 December 2015 and 31 December 2016, respectively. For risks relating to our reliance on our suppliers, in particular our largest supplier, Palmieri Group, please refer to the paragraph headed “Risk Factors – Risks relating to our Businesses and our industry” in this prospectus. As at the Latest Practicable Date, we are a principal international exclusive sales agent of Palmieri for (i) the Palmieri Tunnelling Products and the Palmieri Vertical Drilling Products, into various Southeast Asian countries, Hong Kong and the PRC; and (ii) TBM products for not less than three metre in diameters in Australia and New Zealand.

Our Directors are confident that we will be able to maintain good relationships with our existing key suppliers given our existing business relationship. However, any loss of key suppliers in the future will affect our Group’s operating results. Going forward, we intend to reduce our reliance on Palmieri, for further details please refer to the paragraph headed “Business – Suppliers and Fabricated Steel Factories – Measures to reduce reliance” in this prospectus.

Demand for our Businesses

Our financial performance is also affected by the number and availability of tunnelling and/or foundation projects in Hong Kong, the PRC and Singapore, which in turn are affected by a number of factors, including but not limited to the general economic conditions in such locations, changes relating to the construction industry, and the amount of investment in the new and existing infrastructure/property projects in such locations. Such changes may increase or decrease the demand for our Businesses. In the event that the demand for our Businesses decreases as a result of the reduction in the number of construction projects in Hong Kong, the PRC and/or Singapore, our business in general and our financial results may be adversely and materially affected.

Availability of sizeable contracts

During the Track Record Period, we have derived a majority of our revenue from sizeable contracts (i.e. with a contract sum of not less than HK\$4.0 million). Aggregate revenue derived from sizeable contracts accounted for approximately 60.8% and 59.7% of our total revenue during the years ended 31 December 2015 and 31 December 2016, respectively. The revenue of these sizeable contracts is affected by a number of factors including (i) value added by us through the provision of our Integrated Engineering Solutions; (ii) product specifications; (iii) delivery schedule; and (iv) prevailing market conditions. In the event that we fail to secure sizeable contracts and/or the gross profit margins of our future sizeable contracts fall below our historical gross profit margins, our financial performance and profit may be adversely affected. Furthermore, in the event that the tunnelling and foundation sectors in any of the geographies, where we have significant operations, experience a downturn and/or the competition for price intensifies, our gross profit margin, financial performance and profitability may also be adversely affected.

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Gross profit margin of contracts undertaken by us

The gross profit margin of our contracts is affected by a number of factors including (i) the scope of work; (ii) the technical complexity; (iii) the geological conditions of the work sites; and/or (iv) the work programme of our customers. There is no assurance that our gross profit margin of our contracts will not decrease in the future. In the event that the gross profit margin of any of our future contracts falls below our historical gross profit margins, our financial performance and profit may be adversely affected. Furthermore, in the event that the tunnelling and/or foundation industry experiences a downturn and the competition for price intensifies, our gross profit margin, financial performance and profitability may also be adversely affected.

Variety in sales mix

We supply a diversified range of products and services for tunnelling and foundation projects over four separate business lines. We believe our supply of diversified products and services as part of our Integrated Engineering Solutions places our Group in an advantageous position to capture opportunities in the tunnelling and foundation sectors.

The profitability of our products and services varies across our business segments. Changes in product and service mix have affected, and are expected to continue to affect, our financial performance as different products or services generate different gross profit margins depending on factors such as pricing, cost structures, marketing and pricing strategies. During the years ended 31 December 2015 and 31 December 2016, our business segments reported different segment gross profit margins, ranging from approximately 17.9% to approximately 29.8%, respectively, and our overall gross profit margin fluctuated between approximately 24.0% and approximately 29.6%, respectively. The fluctuation of our overall gross profit margin was attributable to, among others, change in demand of products and services mix from each business segment. Going forward, we will continue to evaluate the products and services we supply from time to time with the intention to focus on products and/or services with higher profit margins, greater market demand and potential to maintain or increase our profitability.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Our Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Details are set forth in Note 4 “Critical accounting estimates and judgements” of the Accountant’s Report contained in Appendix I to this prospectus.

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CRITICAL ACCOUNTING POLICIES

Our Group has identified certain accounting policies that are significant to the preparation of our financial information. These significant accounting policies are important for an understanding of our financial condition and results of operations and are set forth in Note 2 “Summary of significant accounting policies” of the Accountant’s Report contained in Appendix I to this prospectus. The following paragraphs discuss certain significant accounting policies applied in preparing the financial information:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. Our Group recognises revenue (i) when the amount of revenue can be reliably measured; (ii) when it is probable that future economic benefits will flow to the entity; and (iii) when specific criteria have been met for each of our Group’s activities, as described below. Our Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Sales of goods revenue is recognised when our Group has transferred to the customer the significant risks and rewards of ownership of the goods, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products and collectibility of the related receivables is reasonably assured. Where customers are given the goods return options, the amount of options outstanding and our Group’s accumulated experience with the customers in exercising such options are used to estimate and provide for return.

Rental income from machinery under operating lease is recognised on a straight-line basis over the terms of the relevant leases.

Rental income from investment properties under operating leases is recognised in the consolidated statements of comprehensive income on a straight-line basis over the terms of the relevant leases.

Freight income, commission income and repair and maintenance services income are recognised when services are rendered.

Property, plant and equipment

Buildings comprise mainly offices. All property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

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Motor vehicles classified as finance lease commences depreciation from the time when the assets become available for its intended use. Depreciation of property, plant and equipment is calculated using the straight line method to allocate their cost to their residual values over its estimated useful lives, as follows:

Plant and machinery	10% – 25%
Motor vehicles	25%
Motor vehicles under finance leases	25% or over the lease term, whichever is shorter
Furniture, fixtures and equipment	25%
Leasehold improvements	20% or over the lease term, whichever is shorter
Buildings	1.77% or over the lease term, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains, net" in consolidated statements of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Our Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial

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recognition of the asset (a “**loss event**”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For further details, please refer to the Note 2 “Summary of significant accounting policies” of the Accountant’s Report set out in Appendix I to this prospectus.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial information of each of our Group’s entities are measured using the currency of the primary economic environment in which the entity operates. The financial information are presented in Hong Kong dollars, which is our Company’s functional and our Group’s presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income.

Foreign exchange gains or losses that relate to borrowings and cash and cash equivalents are presented in consolidated statements of comprehensive income within “administrative expenses”.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

SUMMARY OF RESULTS OF OPERATIONS

The table below presents the summary of consolidated statements of comprehensive income of our Group during the Track Record Period extracted from the Accountant's Report as set out in Appendix I to this prospectus.

Consolidated statements of comprehensive income

	Year ended 31 December 2015	Year ended 31 December 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	310,098	247,348
Cost of sales	<u>(235,746)</u>	<u>(174,078)</u>
Gross profit	74,352	73,270
Other income	693	367
Other (losses)/gains, net	(72)	1,070
Selling expenses	(7,874)	(7,274)
Administrative expenses		
– Legal and professional fee for listing preparation	(4,494)	(3,605)
– Others	<u>(27,572)</u>	<u>(36,000)</u>
Operating profit	35,033	27,828
Finance income	26	14
Finance costs	<u>(234)</u>	<u>(814)</u>
Profit before income tax	34,825	27,028
Income tax expense	<u>(7,494)</u>	<u>(4,972)</u>
Profit for the year	27,331	22,056

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

Revenue

We set out in the following table a breakdown of our Group's revenue by our two segments, namely tunnelling and foundation, during the Track Record Period:

	For the year ended 31 December 2015		For the year ended 31 December 2016	
	HK\$'000	%	HK\$'000	%
Tunnelling	297,668	96.0	233,457	94.4
Foundation	12,430	4.0	13,891	5.6
Total	310,098	100.0	247,348	100.0

The following table sets out a breakdown of revenue from our customers based on their respective location (*Note 1*) during the Track Record Period:

	For the year ended 31 December 2015		For the year ended 31 December 2016	
	HK\$'000	%	HK\$'000	%
Hong Kong	142,030	45.8	82,334	33.3
PRC	103,273	33.3	109,890	44.4
Singapore	63,088	20.3	55,124	22.3
Others (<i>Note 2</i>)	1,707	0.6	–	–
Total	310,098	100.0	247,348	100.0

Notes:

- (1) Customers of a geographic location may be served by one or more of our sales office located in the same or different geographic location.
- (2) "Others" include Japan and the United States of America.

Our Group derived the majority of revenue from the tunnelling segment, which accounted for approximately 96.0% and 94.4% of our revenue during the years ended 31 December 2015 and 31 December 2016, respectively. The remaining revenue of approximately 4.0% and 5.6% were derived from the foundation segment.

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Geographically, revenue from Hong Kong, the PRC and Singapore accounted for approximately 45.8%, 33.3% and 20.3% of our revenue for the year ended 31 December 2015, respectively. While for the year ended 31 December 2016, revenue from Hong Kong, the PRC and Singapore accounted for approximately 33.3%, 44.4% and 22.3% of our revenue, respectively.

Set out below is a breakdown of the sizeable contracts (i.e. with a contract sum of not less than HK\$4.0 million) (*Note 1*) carried out by our Group during the Track Record Period:

	Number of sizeable tunnelling contracts in progress or completed	Number of sizeable foundation contracts in progress or completed	Total number of sizeable contracts in progress or completed	Total revenue derived from sizeable contracts <i>HK\$'000</i>	Total revenue derived from contract/purchase order(s) amount less than HK\$4.0 million <i>HK\$'000</i>	Total Revenue <i>HK\$'000</i>
During the year ended 31 December 2015	15 (<i>Note 2</i>)	1 (<i>Note 3</i>)	16 (<i>Note 4</i>)	188,966	121,132	310,098
During the year ended 31 December 2016	17 (<i>Note 5</i>)	–	17 (<i>Note 6</i>)	147,748	99,600	247,348

Notes:

- (1) For determining the number of contracts, we deem all contracts and purchase orders which are identified to be attributable to the same construction project as one contract.
- (2) Seven sizeable tunnelling contracts were for projects lasted for more than one financial year.
- (3) No sizeable foundation contract was for projects lasted for more than one financial year.
- (4) Seven sizeable contracts were for projects lasted for more than one financial year.
- (5) Seven sizeable tunnelling contracts were for projects lasted for more than one financial year.
- (6) Seven sizeable contracts were for projects lasted for more than one financial year.

As set out in the table above, our Group derived approximately 60.9% and 59.7% of our revenue from sizeable contracts for each of the years ended 31 December 2015 and 31 December 2016, respectively. Our Group had 16 sizeable contracts (comprised of 15 tunnelling contracts and one foundation contract) and 17 sizeable contracts (comprised of all tunnelling contracts) in progress or completed during each of the years ended 31 December 2015 and 31 December 2016, respectively, the majority was completed within one financial year. For the year ended 31 December 2015, five, seven and four sizeable contracts were entered into with customers based in the PRC, Hong Kong and Singapore, respectively. For the year ended 31 December 2016, eight, four and five sizeable contracts were entered into with customers based in the PRC, Hong Kong and Singapore, respectively.

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For the two years ended 31 December 2015 and 2016, our Group derived revenue of approximately HK\$80.3 million and HK\$65.0 million from the three largest contracts during the relevant period, respectively. All of the aforesaid contracts are related to our Group's tunnelling segment. Notwithstanding that our Group derived the most revenue from the same contract for the year ended 31 December 2015 and 31 December 2016, respectively, our revenue recorded from this contract was lower in the year ended 31 December 2016 than in the year ended 31 December 2015 attributable to the progress of the subject tunnelling project based in Hong Kong. In addition, our second largest contracts for the year ended 31 December 2016 was not one of our three largest contracts for the year ended 31 December 2015 as the construction of these projects progresses. Furthermore, there were seven contracts from which our Group derived over HK\$10 million of revenue during the year ended 31 December 2015 and four contracts from which our Group derived over HK\$10 million of revenue during the year ended 31 December 2016. Despite that the number of sizeable contracts has increased from 16 for the year ended 31 December 2015 to 17 for the year ended 31 December 2016, the number of contracts of which our Group derived revenue of over HK\$10 million decreased from seven for the year ended 31 December 2015 to four for the year ended 31 December 2016. In addition, our Group derived revenue of approximately HK\$121.1 million and HK\$99.6 million from contracts with a contract sum of less than HK\$4 million, for each of the years ended 31 December 2015 and 2016, respectively.

During the Track Record Period, most of the sizeable contracts were conducted via purchase orders placed by our customers. For our customers who are contractors conducting tunnelling works, they would normally place follow-on purchase orders with our Group after initial orders as their tunnelling projects progress and the supplied specialised cutting tools/parts for construction equipment are consumed. However, our customers are under no contractual obligation to continue placing purchase orders with our Group as their tunnelling project progresses. On this basis, for contracts conducted via purchase orders, the remaining amount of the subject contract and expected completion date are determined by our customers and our Group can only ascertain the amount of contracts-in-progress as and when a new purchase order is placed by our customers. As for the completion of our contracts for the supply of specialised cutting tools and parts for construction equipment to these customers, such would typically be no later than the completion of the tunnelling excavation works under the subject tunnelling projects.

Given the nature of the construction industry, we operate on a project-by-project basis. As an Integrated Engineering Solutions provider, the majority of our contracts on hand is not long term contracts and our Directors expect that the majority of our contracts shall be completed by the first half end of 2018 and hence we have a relatively short financial visibility.

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COST OF SALES

Cost of sales represents costs and expenses directly attributable to our revenue generating activities. Our cost of inventories sold accounted for the largest part of our cost of sales. During the years ended 31 December 2015 and 31 December 2016, we recorded cost of sales of approximately HK\$235.7 million and HK\$174.1 million, respectively, representing approximately 76.0% and 70.4% of our total revenue over the same period, respectively, of which our cost of inventories sold accounted for approximately 98.7% and 98.9% of our cost of sales, respectively.

For each of the years ended 31 December 2015 and 31 December 2016, the cost of sales for (i) the Branded Products was approximately HK\$187.8 million and HK\$152.1 million, respectively; and (ii) the M&L Custom-made Products was approximately HK\$44.7 million and HK\$21.0 million, respectively. The year-on-year decrease in cost of sales for the Brand Products and the M&L Custom-made Products was mainly attributable to the decrease in revenue derived from the supply of specialised cutting tools/parts for construction equipment and the supply of fabricated construction steel works and equipment, respectively.

Our cost of sales is affected by the prices and availability of our (i) specialised cutting tools and parts for construction equipment; (ii) fabricated construction steel works and equipment; (iii) specialised construction equipment; and (iv) ancillary services, which include leasing of specialised construction equipment, and repair and maintenance services, which may vary from period to period due to factors such as consumer demand and market conditions.

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Sensitivity analysis

The following sensitivity analysis illustrates the impact of hypothetical changes, based on historical fluctuations and assuming all other variables remain constant during the Track Record Period, in (i) costs of supply of specialised cutting tools and parts for construction equipment; and (ii) appreciation/depreciation of the Euro against the Hong Kong dollar, on our cost of sales for the respective periods during the Track Record Period:

Sensitivity analysis on costs of specialised cutting tools and parts for construction equipment

	Year ended 31 December 2015	Year ended 31 December 2016
% change in costs of specialised cutting tools and parts for construction equipment	Corresponding change in cost of sales HK\$'000	Corresponding change in cost of sales HK\$'000
15%	27,403	22,461
10%	18,269	14,974
5%	9,134	7,487
-5%	(9,134)	(7,487)
-10%	(18,269)	(14,974)
-15%	(27,403)	(22,461)

Sensitivity analysis on exchange rate movements of Euro against Hong Kong dollar

	Year ended 31 December 2015	Year ended 31 December 2016
% change in exchange rate of Euro against Hong Kong dollar	Corresponding change in cost of sales HK\$'000	Corresponding change in cost of sales HK\$'000
15%	25,214	20,775
10%	16,809	13,850
5%	8,405	6,925
-5%	(8,405)	(6,925)
-10%	(16,809)	(13,850)
-15%	(25,214)	(20,775)

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GROSS PROFIT

For the years ended 31 December 2015 and 31 December 2016, our gross profit amounted to approximately HK\$74.4 million and HK\$73.3 million, respectively, and our overall gross profit margin was approximately 24.0% and 29.6%, respectively.

The following table sets out a breakdown of the revenue, gross profit and gross profit margin of our Group by segments during the Track Record Period:

	Year ended 31 December 2015		Year ended 31 December 2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Revenue				
Tunnelling	297,668	96.0	233,457	94.4
Foundation	<u>12,430</u>	<u>4.0</u>	<u>13,891</u>	<u>5.6</u>
Total	<u><u>310,098</u></u>	<u><u>100.0</u></u>	<u><u>247,348</u></u>	<u><u>100.0</u></u>
Gross profit				
Tunnelling	72,123	97.0	69,518	94.9
Foundation	<u>2,229</u>	<u>3.0</u>	<u>3,752</u>	<u>5.1</u>
Total	<u><u>74,352</u></u>	<u><u>100.0</u></u>	<u><u>73,270</u></u>	<u><u>100.0</u></u>
Gross profit margin				
Tunnelling		24.2		29.8
Foundation		<u>17.9</u>		<u>27.0</u>
Overall		<u><u>24.0</u></u>		<u><u>29.6</u></u>

Our gross profit for the year ended 31 December 2015 amounted to approximately HK\$74.4 million, of which approximately HK\$72.1 million and HK\$2.2 million was attributable to the tunnelling segment and foundation segment, respectively. For the year ended 31 December 2015, our overall gross profit margin was approximately 24.0%, while the gross profit margin for the tunnelling segment and foundation segment was approximately 24.2% and 17.9%, respectively.

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Our gross profit for the year ended 31 December 2016 amounted to approximately HK\$73.3 million compared to approximately HK\$74.4 million for the year ended 31 December 2015, representing a slight decrease of approximately HK\$1.1 million or 1.5%. For each of the abovementioned period, the tunnelling segment contributed over 90% of our gross profit. Our gross profit margin for the year ended 31 December 2016 was approximately 29.6% as compared to that of approximately 24.0% for the year ended 31 December 2015. The increase was mainly attributable to (i) the revenue generated from the provision of ancillary services amounted to approximately HK\$10.3 million during the year ended 31 December 2016; and (ii) discounts and rebate granted by our suppliers during the year ended 31 December 2016 which amounted to approximately HK\$6.0 million in aggregate.

During the Track Record Period, our Group derived over 90% of revenue from the supply of Branded Products and M&L Custom-made Products. For each of the years ended 31 December 2015 and 31 December 2016, the gross profit margin of (i) the supply of Branded Products was approximately 23.4% and 26.7%, respectively; and (ii) the supply of M&L Custom-made Products was approximately 21.4% and 28.6%, respectively. The increase in gross profit margin of the supply of Branded Products was mainly attributable to the discounts/rebate granted by our supplier which is further detailed below. The increase in gross profit margin of the supply of M&L Custom-made Products in 2016 was mainly attributable to the lower gross profit margin of two relatively large contracts with Customer B from which our Group derived over HK\$35 million in revenue during the year ended 31 December 2015.

For illustration purposes, the following table set out information to enable comparison between the gross profits and gross profit margins during the Track Record Period before and after taking into account the discounts and/or rebate granted by our suppliers:

	Year ended 31 December 2015 HK\$'000	Year ended 31 December 2016 HK\$'000
Gross profit	74,352	73,270
Discounts/rebate granted by our suppliers	–	5,966
Gross profit excluding discounts/rebate granted by our suppliers	74,352	67,304
Gross profit margin	24.0%	29.6%
Gross profit margin excluding discounts/rebate granted by our suppliers	24.0%	27.2%

The gross profit (excluding discounts/rebate granted by our suppliers) amounted to approximately HK\$74.4 million and HK\$67.3 million during the years ended 31 December 2015 and 31 December 2016, respectively, representing a gross profit margin of approximately 24.0% and 27.2%, respectively.

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SELLING AND ADMINISTRATIVE EXPENSES

Selling expenses mainly include freight charges and selling commission for our sales staff accounted for under the employee benefit expenses. Administrative expenses mainly include staff costs, Directors' remuneration and benefits (both accounted for under the employee benefit expenses), legal and professional fees for listing preparation, operating lease charges on land and buildings, provision for impairment of trade receivables and other administrative expenses. The following table sets out a breakdown of our selling and administrative expenses for the periods indicated:

	Year ended 31 December 2015 HK\$'000	Year ended 31 December 2016 HK\$'000
Employee benefit expenses	16,738	21,059
Depreciation	879	877
Amortisation	101	101
Freight charge	4,626	4,241
Legal and professional fees for listing preparation	4,494	3,605
Auditors' remuneration		
– Audit services	326	268
– Non-audit services	36	40
Operating lease charges on land and buildings	2,140	2,537
Exchange losses	1,735	2,533
Provision for impairment of trade receivables	1,285	3,893
Entertainment expenses	1,549	1,664
Travelling expenses	1,637	1,372
Advertising expenses	646	137
Motor vehicle expenses	972	1,044
Others	2,776	3,508
	<u>39,940</u>	<u>46,879</u>

Selling expenses amounted to approximately HK\$7.9 million and HK\$7.3 million for the years ended 31 December 2015 and 31 December 2016, respectively, which accounted for approximately 2.5% and 2.9% of our total revenue during the respective periods.

Administrative expenses amounted to approximately HK\$32.0 million and HK\$39.6 million for the years ended 31 December 2015 and 31 December 2016, respectively, which accounted for approximately 10.3% and 16.0% of our total revenue during the respective periods.

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For the years ended 31 December 2015 and 31 December 2016, employee benefit expenses were the largest expenses item under the selling and administrative expenses, being approximately HK\$16.7 million and HK\$21.1 million, respectively, which represented approximately 41.9% and 44.9% of the total selling and administrative expenses for the same periods, respectively.

The other major expenses items recorded for the years ended 31 December 2015 and 31 December 2016 included (i) freight charges of approximately HK\$4.6 million and HK\$4.2 million, representing approximately 11.6% and 9.0% of the total selling and administrative expenses, respectively; and (ii) legal and professional fees for listing preparation of approximately HK\$4.5 million and HK\$3.6 million, representing approximately 11.3% and 7.7% of the total selling and administrative expenses, respectively.

The remaining balance of selling and administrative expenses mainly consisted of operating lease charges on land and buildings, provision for impairment of trade receivables, entertainment expenses, travelling expenses and others.

OTHER INCOME AND OTHER LOSSES/GAINS, NET

The aggregate amount of other income and other losses/gains, net totalled to approximately HK\$0.6 million and HK\$1.4 million during the years ended 31 December 2015 and 31 December 2016, respectively. Our other income and other losses, net accounted for approximately 0.2% and 0.6% of our total revenue during the respective periods.

During the Track Record Period, other income and other losses, net, primarily consisted of (i) freight income; and (ii) rental income.

FINANCE COSTS

Our finance costs of approximately HK\$0.2 million and HK\$0.8 million for the years ended 31 December 2015 and 31 December 2016 mainly represent interest expenses for bank borrowings. During the years ended 31 December 2015 and 31 December 2016, the effective interest rate for our bank borrowings was approximately 3.0% and 3.5%, respectively. We had no bank overdrafts as at 31 December 2015 and 31 December 2016.

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INCOME TAX EXPENSES

Our income tax represents Hong Kong profits tax, PRC enterprise income tax and Singapore corporate income tax. Our Group was not subject to any income tax in the Cayman Islands during the Track Record Period. The provision for Hong Kong profits tax was calculated at 16.5% of the relevant estimated assessable profits during the Track Record Period. During the Track Record Period, our PRC subsidiary was subject to the statutory enterprise income tax rate of 25%. The corporate income tax rate in Singapore is 17% on chargeable income.

For the year ended 31 December 2016, our Group incurred income tax expenses of approximately HK\$5.0 million, representing an effective tax rate of approximately 18.4%.

Such income tax expenses of approximately HK\$5.0 million was primarily attributable to the net effect of (i) Hong Kong profits tax of approximately HK\$3.7 million; (ii) Singapore corporate income tax of approximately HK\$0.9 million; and (iii) deferred income tax of approximately HK\$0.4 million.

While sales to our PRC based customers was the largest revenue contributor during the year ended 31 December 2016, such sales would either be conducted by our Hong Kong group entities or PRC group entity. Sales conducted by our Hong Kong group entities were subject to Hong Kong tax assessment while sales conducted by our PRC group entity were subject to PRC tax assessment.

Factors such as our customers' preference, historical counter party of past transactions for existing customers, delivery arrangements with our customers may influence which group entity would be used to conduct the sales transaction. For the year ended 31 December 2016, our PRC group entity did not record any estimated assessable profit which was subject to PRC enterprise income tax attributable to its financial performance during the same period.

As a result of the foregoing, the effective tax rate of approximately 18.4% was largely attributable to the combined effect of Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits and expenses not deductible for tax purposes of approximately HK\$8.2 million, of which approximately HK\$3.6 million was related to the Listing.

For the year ended 31 December 2015, our Group incurred income tax expenses of approximately HK\$7.5 million, representing an effective tax rate of approximately 21.5%. The income tax expenses of approximately HK\$7.5 million was primarily attributable to the combined effect of (i) Hong Kong profits tax of approximately HK\$5.5 million; (ii) PRC corporate income tax of approximately HK\$1.0 million; (iii) Singapore corporate income tax of approximately HK\$0.8 million; and (iv) deferred income tax of approximately HK\$0.2 million. The effective tax rate of approximately 21.1% was largely attributable to the combined effect of a majority of the income tax expenses were related to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits, and adjusted for expenses not deductible for tax purposes of approximately HK\$7.4 million, of which approximately HK\$4.5 million related to the Listing.

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Our Directors have sought for professional tax advice (the “**Tax Advice**”) in relation to transfer pricing implications of the related party transactions among our Group’s principal operating subsidiaries, namely M&L, M&L (Shenzhen), M&L (Singapore) and East Focus during the Track Record Period relying on whole-of-entity approach.

In respect of M&L (Shenzhen), having considered the relevant PRC transfer pricing rules, governing principle, benchmarking analysis on distribution activities by searching comparable companies and taking into account of the Tax Advice, our Directors consider that M&L (Shenzhen) has reasonable grounds to demonstrate to PRC tax authorities its compliance with the arm’s length principle with respect to its buy-sell transaction with M&L.

In respect of M&L (Singapore), having considered the relevant Singapore transfer pricing guidelines and benchmarking analysis on sales compared with that of comparable companies and taken into account the Tax Advice, our Directors consider that the transfer pricing risk of being challenged by Singapore tax authority is low.

In respect of M&L and East Focus, having considered their functional and risk profile in our Group, the benchmarking analysis, the tax rate of their related parties and taken into account the Tax Advice, our Directors consider that it is not unreasonable to defend the arm’s length position of M&L and East Focus.

In terms of the filing obligations:

1. M&L (Shenzhen) has submitted the annual related party transactions reporting forms to local tax authority for the year ended 31 December 2015. On the basis that M&L (Shenzhen) did not meet the threshold for preparing contemporaneous documentation, M&L (Shenzhen) was not obligated to prepare contemporaneous documentation for the year ended 31 December 2015. For the year ended 31 December 2016, the deadline of preparing annual related party transactions reporting forms and contemporaneous documentation is not due;
2. as for M&L (Singapore), on the basis that the related party transaction amount was below the thresholds for transfer pricing documentation purposes, M&L (Singapore) was not required to prepare transfer pricing documentation during the Track Record Period; and
3. as for M&L and East Focus, on the basis that there is not yet compulsory transfer pricing documentation requirement in Hong Kong, both M&L and East Focus do not need to prepare transfer pricing documentation for compliance purpose.

As of Latest Practicable Date, our Group had neither unsolved transfer pricing disputes with the relevant tax authority in PRC, Singapore or Hong Kong nor unsettled tax adjustment resulting from transfer pricing investigation or audit conducted by the relevant tax authority in PRC, Singapore or Hong Kong for the Track Record Period. Based on the foregoing and taken into account the Tax Advice, our Directors consider that there is no indication the relevant tax authority in PRC, Singapore or Hong Kong has made any challenge to our Group for non-compliance with the relevant transfer pricing rules and regulations during the Track Record Period.

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Although there is no assurance that the PRC, Singapore and Hong Kong tax authorities will not make any transfer pricing adjustments to our Group entities according to the respective laws and regulations, considering that our Group has met the transfer pricing filing requirement and taken into account the Tax Advice, our Directors consider that the potential adjustment, if challenged by tax bureau, should be insignificant and there is no significant potential transfer pricing exposure for our four major operating entities, namely M&L (Shenzhen), M&L (Singapore), M&L and East Focus.

With a view to ensure ongoing compliance of the applicable transfer pricing regulations, (i) our transactional transfer pricing arrangements are applied and monitored to ensure compliance with the arm's length principle; (ii) intercompany balances and transactions are reconciled from time to time and at report periods to ensure that no significant difference exists; (iii) related party transaction forms prepared by M&L (Shenzhen) are reviewed and compared by our financial controller to identify any discrepancy before submitted to the PRC tax authority, and all the reporting forms are properly filed and maintained in M&L (Shenzhen) for inspection; (iv) our financial controller will monitor the amount of related party transactions to determine whether transfer pricing documentation reports are required to be prepared, and if so required, observe the deadline and make such filings with the relevant tax authority; and (v) our chief financial officer will be responsible for the review, on a regular basis, of our Group's compliance with relevant transfer pricing laws and regulations in Hong Kong, the PRC and Singapore and where necessary, shall consult independent tax consultant.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material dispute or unresolved tax issues with the relevant tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2016 compared with year ended 31 December 2015

Revenue

Our revenue decreased by approximately HK\$62.8 million, or 20.2%, from approximately HK\$310.1 million for the year ended 31 December 2015 to approximately HK\$247.3 million for the year ended 31 December 2016. The decrease was primarily attributable to the decrease in revenue recognised for our tunnelling segment by approximately HK\$64.2 million, or 21.6%, from approximately HK\$297.7 million for the year ended 31 December 2015 to approximately HK\$233.5 million for the year ended 31 December 2016. From the perspective of geographic locations of our customers, revenue derived from customers based in Hong Kong and Singapore decreased from approximately HK\$205.1 million (in aggregate) to approximately HK\$137.5 million (in aggregate) from the corresponding prior period last year. Such decrease was partly offset by the increase in revenue derived from the PRC based customers, which increased from approximately HK\$103.3 million to approximately HK\$109.9 million.

For the year ended 31 December 2016, approximately HK\$204.4 million of our revenue was derived from the supply of specialised cutting tools/parts for construction equipment. For the year ended 31 December 2015, approximately HK\$240.0 million of our revenue was derived from the supply of specialised cutting tools/parts for construction equipment.

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As set out in the section headed “Industry overview” in this prospectus, as several TBM tunnel works in Hong Kong finished by 2015, the industry was witnessing a moderate drop in the contract value of TBM tunnelling works, which had in turn adversely affected our revenue and financial performance in Hong Kong. For further information, please refer to section headed “Industry overview” in this prospectus.

Cost of sales

Our cost of sales decreased by approximately HK\$61.7 million, or 26.2%, from approximately HK\$235.7 million for the year ended 31 December 2015 to approximately HK\$174.1 million for the year ended 31 December 2016. Such movement was primarily attributable to the decrease in cost of inventory sold associated with our decrease in revenue as well as the grant of discounts and rebate by our suppliers which amounted to approximately HK\$6.0 million.

Gross profit

Our gross profit remained stable at approximately HK\$74.4 million for the year ended 31 December 2015 and approximately HK\$73.3 million for the year ended 31 December 2016. Meanwhile, our gross profit margin increased from approximately 24.0% for the year ended 31 December 2015 to approximately 29.6% for the year ended 31 December 2016. Such increase was primarily attributable to the increase in gross profit margin of our tunnelling segment from approximately 24.2% to approximately 29.8%.

During the years ended 31 December 2015 and 31 December 2016, we received discounts/rebate of nil and approximately HK\$6.0 million in aggregate, respectively. As set out under the paragraph headed “Financial information – Gross profit” in this section of this prospectus, the gross profit excluding discounts/rebate granted by our suppliers was approximately HK\$74.4 million and HK\$67.3 million, respectively, representing a gross profit margin of approximately 24.0% and 27.2% for the years ended 31 December 2015 and 31 December 2016, respectively. The difference in gross profit margin (excluding such discounts/rebate) was largely due to the difference in the mix of products and services supplied by us during the respective periods.

Other income and other losses/gains, net

Other income and other losses/gains increased by approximately HK\$0.8 million from approximately HK\$0.6 million for the year ended 31 December 2015 to approximately HK\$1.4 million for the year ended 31 December 2016. Such increase was primarily attributable to approximately HK\$1.1 million gains from fair value adjustment on assets held for sale.

Selling expenses

Selling expenses decreased from approximately HK\$7.9 million to HK\$7.3 million for the year ended 31 December 2015 and for the year ended 31 December 2016, respectively, which was mainly attributable to the decrease in revenue recorded by our Group.

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Administrative expenses

Administrative expenses increased by approximately HK\$7.5 million or 23.5% from approximately HK\$32.1 million for the year ended 31 December 2015 to approximately HK\$39.6 million for the year ended 31 December 2016, which was primarily due to the net effect of (i) the increase in employee benefit expenses of approximately HK\$4.3 million; (ii) the increase in provision for impairment of trade receivables of approximately HK\$2.6 million.

Finance income and finance costs

The net amount of finance costs and finance income increased by approximately HK\$0.6 million from approximately HK\$0.2 million for the year ended 31 December 2015 to approximately HK\$0.8 million for the year ended 31 December 2016. Such increase was mainly attributable to the increase in finance costs related to bank borrowings.

Income tax expense

Our income tax expenses decreased by approximately HK\$2.5 million or 33.7% from approximately HK\$7.5 million for the year ended 31 December 2015 to approximately HK\$5.0 million for the year ended 31 December 2016. The decrease was primarily due to a decrease in our Group's assessable profits in Hong Kong. For further details of our income tax expenses for each of the periods during the Track Record Period, please refer to the paragraph headed "Financial information – Income tax expenses" above.

Profit attributable to equity holders of our Company

We recorded a profit attributable to equity holders of our Company for the year ended 31 December 2016 of approximately HK\$21.2 million, representing a decrease of approximately 20.0% from approximately HK\$26.4 million for the year ended 31 December 2015. As a result of the foregoing, our net profit margin increased to approximately 8.6% for the year ended 31 December 2016 from approximately 8.5% for the year ended 31 December 2015.

FINANCIAL CONDITIONS OF OUR GROUP

The table below presents the summary of consolidated statements of financial positions of our Group as at 31 December 2015 and 31 December 2016 extracted from the Accountant's Report as set out in Appendix I to this prospectus, respectively.

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Consolidated statements of financial position

	As at 31 December 2015 HK\$'000	As at 31 December 2016 HK\$'000
ASSETS		
Non-current assets		
Prepaid land premium	5,415	5,195
Property, plant and equipment	4,280	10,474
Investment properties	5,620	–
Deposits	359	288
Deferred income tax assets	58	40
	15,732	15,997
Current assets		
Inventories	38,916	29,586
Trade and other receivables	102,705	75,444
Tax recoverable	1,731	2,054
Pledged bank deposits	2,528	2,532
Cash and cash equivalents	63,951	44,357
	209,831	153,973
Assets held for sale	–	6,690
	209,831	160,663
Total assets	225,563	176,660
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	–	–
Reserves	69,879	88,628
	69,879	88,628
Non-controlling interests	2,277	2,857
Total equity	72,156	91,485

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	As at 31 December 2015 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
LIABILITIES		
Non-current liabilities		
Finance lease liabilities	208	59
Bank borrowings	4,947	–
Deferred income tax liabilities	475	859
Other provision	317	479
	5,947	1,397
Current liabilities		
Trade and other payables	79,272	50,622
Dividend payable	25,250	6,510
Amounts due to directors	6,232	5,685
Amount due to a related company	7,872	–
Bank borrowings	27,823	20,000
Finance lease liabilities	244	113
Current income tax liabilities	767	848
	147,460	83,778
Total liabilities	153,407	85,175
Total equity and liabilities	225,563	176,660
Net current assets	62,371	76,885
Total assets less current liabilities	78,103	92,882

LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity and capital requirements are for the settlement of purchases from suppliers, staff costs and various operating expenses, which have been funded through a combination of cash generated from our operations and bank borrowings.

Our liquidity position is generally affected by changes in our cash requirements and sources of funding. General economic conditions may affect our ability to secure credit facilities to settle our payment obligations. In the event of any cancellation of purchase orders and/or default on payment obligations by our customers, our cash flow, business operations and profitability would be adversely affected.

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Cash flows of our Group

The following table sets forth a condensed summary of our Group's consolidated statements of cash flows for the Track Record Period as extracted from the Accountant's Report set out in Appendix I to this prospectus and should be read in conjunction with the entire financial information included therein, including the notes thereto, for more details.

	For the year ended 31 December 2015 HK\$'000	For the year ended 31 December 2016 HK\$'000
Net cash generated from operating activities (<i>Note</i>)	16,694	26,460
Net cash used in investing activities	(832)	(7,136)
Net cash generated from/(used in) financing activities	<u>6,142</u>	<u>(38,539)</u>
Net increase/(decrease) in cash and cash equivalents	22,004	(19,215)
Cash and cash equivalents at beginning of the year	42,511	63,951
Currency translation differences	<u>(564)</u>	<u>(379)</u>
Cash and cash equivalents at end of the year	<u><u>63,951</u></u>	<u><u>44,357</u></u>

Note: Inclusive of cash generated from operation before changes in working capital of approximately HK\$37.4 million and HK\$31.6 million for the years ended 31 December 2015 and 31 December 2016, respectively.

Net cash generated from operating activities

During the Track Record Period, our cash inflow from operating activities was principally from the receipt of cash for our supplied products and services. Our cash outflow used in operating activities was principally for purchases of products from our suppliers.

For the year ended 31 December 2016, our Group had net cash generated from operating activities of approximately HK\$26.5 million, which was largely attributable to the net effect of (i) net cash generated from operations of approximately HK\$31.2 million; and (ii) income tax paid of approximately HK\$4.8 million. The net cash generated from operations of approximately HK\$31.2 million was primarily made up of (i) profit before income tax of approximately HK\$27.0 million; (ii) the decrease in trade and other receivables of

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HK\$22.4 million; (iii) the decrease in trade and other payables of approximately HK\$26.2 million; (iv) the decrease in inventories of approximately HK\$9.3 million; and (v) the decrease in amount due to a related company of approximately HK\$7.8 million.

For the year ended 31 December 2015, our Group had net cash generated from operating activities of approximately HK\$16.7 million, which was largely attributable to the net effect of (i) net cash generated from operations of approximately HK\$26.4 million; and (ii) income tax paid of approximately HK\$9.8 million. The net cash generated from operations of approximately HK\$26.4 million was primarily made up of (i) profit before income tax of approximately HK\$34.8 million; (ii) the increase in trade and other receivables of approximately HK\$31.9 million; (iii) the increase in trade and other payables of approximately HK\$38.9 million; (iv) the increase in inventories of approximately HK\$23.2 million; and (v) the increase in amount due to a related company of approximately HK\$5.2 million.

Net cash used in investing activities

Our cash outflow for investing activities was primarily utilised to acquire property, plant and equipment.

During the year ended 31 December 2016, our net cash used in investing activities amounted to approximately HK\$7.1 million which was mainly attributable to the deposit paid and cash utilised to acquire property, plant and equipment.

During the year ended 31 December 2015, our net cash used in investing activities amounted to approximately HK\$0.8 million which was mainly attributable to cash utilised for renovation of our workshop in Hong Kong.

Net cash generated from/(used in) financing activities

During the Track Record Period, our cash inflow from financing activities was principally from proceeds from bank borrowings and proceeds from issuance of ordinary shares. Our cash outflow used in financing activities was principally for dividend payments, the repayment of borrowings and changes in balances with Directors.

During the year ended 31 December 2016, our net cash used in financing activities amounted to approximately HK\$38.5 million which was mainly attributable to the combined effect of cash outflows from (i) dividends paid of approximately HK\$30.6 million; (ii) repayments of borrowings of approximately HK\$18.9 million; and (iii) decrease in balances with Directors of approximately HK\$2.2 million, which was partly offset by cash inflow of HK\$9.5 million from the issuance of ordinary shares and proceeds from borrowings of HK\$6.0 million.

During the year ended 31 December 2015, our net cash generated from financing activities amounted to approximately HK\$6.1 million which was mainly attributable to the combined effect of (i) cash outflow from dividends paid of approximately HK\$25.6 million; (ii) cash inflow related to proceeds from bank borrowings of HK\$25.0 million; and (iii) cash inflow from increase in balances with Directors of approximately HK\$8.8 million.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The following table sets forth our Group's current assets and current liabilities as at 31 December 2015, 31 December 2016 and 30 April 2017:

	As at 31 December 2015 HK\$'000	As at 31 December 2016 HK\$'000	As at 30 April 2017 HK\$'000 (unaudited)
Current assets			
Inventories	38,916	29,586	29,240
Trade and other receivables	102,705	75,444	74,577
Amount due from a director	–	–	31
Tax recoverable	1,731	2,054	1,044
Pledged bank deposits	2,528	2,532	2,533
Cash and cash equivalents	63,951	44,357	52,460
	<hr/>	<hr/>	<hr/>
	209,831	153,973	159,885
Assets held for sale	–	6,690	–
	<hr/>	<hr/>	<hr/>
Total current assets	209,831	160,663	159,885
Current liabilities			
Trade and other payables	79,272	50,622	60,806
Dividends payable	25,250	6,510	15,980
Amounts due to directors	6,232	5,685	2,366
Amount due to a related company	7,872	–	–
Bank borrowings	27,823	20,000	20,000
Finance lease liabilities	244	113	115
Current income tax liabilities	767	848	913
	<hr/>	<hr/>	<hr/>
Total current liabilities	147,460	83,778	100,180
Net current assets	<u>62,371</u>	<u>76,885</u>	<u>59,705</u>

As at 30 April 2017, we had net current assets of approximately HK\$59.7 million, representing a decrease of approximately HK\$17.2 million as compared to that as at 31 December 2016. Such decrease in our net current assets position was primarily attributable to the net effect of (i) increase of trade and other payables of approximately HK\$10.2 million; (ii) the increase in dividends payable of approximately HK\$9.5 million; (iii) the decrease in assets held for sale of approximately HK\$6.7 million; and (iv) the increase in cash and cash equivalents of approximately HK\$8.1 million.

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As at 31 December 2016, we had net current assets of approximately HK\$76.9 million. Our current assets as at 31 December 2016 of approximately HK\$160.7 million mainly comprised of (i) trade and other receivables of approximately HK\$75.4 million; (ii) cash and cash equivalents of approximately HK\$44.4 million; and (iii) inventories of approximately HK\$29.6 million. Our current liabilities as at 31 December 2016 of approximately HK\$83.8 million mainly consisted of trade and other payables of approximately HK\$50.6 million. The balance of which was primarily made up of (i) bank borrowings of approximately HK\$20.0 million; (ii) dividends payable of approximately HK\$6.5 million; and (iii) amounts due to directors of approximately HK\$5.7 million.

As at 31 December 2015, we had net current assets of approximately HK\$62.4 million. Our current assets as at 31 December 2015 of approximately HK\$209.8 million mainly comprised of (i) trade and other receivables of approximately HK\$102.7 million; (ii) cash and cash equivalents of approximately HK\$64.0 million; and (iii) inventories of approximately HK\$38.9 million. Our current liabilities as at 31 December 2015 of approximately HK\$147.5 million mainly consisted of trade and other payables of approximately HK\$79.3 million. The balance of which was primarily made up of (i) bank borrowings of approximately HK\$27.8 million; (ii) dividends payable of approximately HK\$25.3 million; (iii) amounts due to a related company of approximately HK\$7.9 million; and (iv) amounts due to directors of approximately HK\$6.2 million.

Our net current assets increased by approximately HK\$14.5 million or 23.2% from HK\$62.4 million as at 31 December 2015 to approximately HK\$76.9 million as at 31 December 2016. The increase was primarily due to the combined effects of the decrease in (i) trade and other payables of approximately HK\$28.7 million; (ii) dividends payable of approximately HK\$18.7 million; and (iii) bank borrowings of approximately HK\$7.8 million, which was partially offset by the decrease in (i) trade and other receivables of approximately HK\$27.3 million; (ii) inventories of approximately HK\$9.3 million; and (iii) cash and cash equivalents of approximately HK\$19.6 million.

ANALYSIS ON MAJOR COMPONENTS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Inventories amounted to approximately HK\$38.9 million and HK\$29.6 million as at 31 December 2015 and 31 December 2016, respectively.

Our inventories decreased by approximately HK\$9.3 million or 23.9% from approximately HK\$38.9 million as at 31 December 2015 to approximately HK\$29.6 million as at 31 December 2016 which was mainly attributable to the decrease in goods in transit from approximately HK\$15.9 million as at 31 December 2015 to approximately HK\$5.7 million as at 31 December 2016. Up to the Latest Practicable Date, approximately HK\$12.2 million out of HK\$29.6 million of our inventories as at 31 December 2016 were sold, representing approximately 41.3% of our inventories as at 31 December 2016.

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We intend to maintain sufficient inventory levels required for our operations. Our inventories primarily consisted of specialised cutting tools and parts for construction equipment, and specialised construction equipment. Our specialised construction equipment is reviewed for impairment annually and written down to its respective carrying value accordingly if deemed to be impaired. Our Directors believe that aging analysis of our inventory is not relevant. Please refer to paragraph headed “(a) Provision for impairment of inventories” under Note 4 “Critical accounting estimates and judgement” of the Accountant’s Report contained in Appendix I to this prospectus.

Save for approximately HK\$0.8 million of long dated inventories primarily related to our supply of fabricated construction steel works and equipment business, our Group did not make any specific provision/write-off of inventories during the Track Record Period.

The following table sets forth a summary of the inventory turnover days during the Track Record Period:

	For the year ended 31 December 2015	For the year ended 31 December 2016
Inventory turnover (days) (<i>Note</i>)	60.3	62.0

Note: The inventory turnover days for a given year is calculated based on the inventories balance as at the year-end divided by the cost of sales for that year and multiplied by 365 days.

Our average inventory turnover days increased from approximately 60.3 days for the year ended 31 December 2015 to approximately 62.0 days for the year ended 31 December 2016, which was largely attributable to decrease in revenue for the year ended 31 December 2016.

Trade and other receivables

Our trade and other receivables primarily consisted of trade receivables from our customers. The remaining balance consisted of prepayments, deposits paid and bill receivables in connection with the supply of products or provision of services. Our trade and other receivables decreased from approximately HK\$102.7 million as at 31 December 2015 to approximately HK\$75.4 million as at 31 December 2016 which was largely as a result of movement in revenue. In addition, as at 31 December 2015 and 31 December 2016, provision for impairment of trade receivables totalled to approximately HK\$6.3 million and HK\$9.3 million, respectively.

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The following table sets forth our trade and other receivables as of the dates indicated:

	As at 31 December 2015 HK\$'000	As at 31 December 2016 HK\$'000
Trade receivables	102,454	79,639
Less: provision for impairment of trade receivables	<u>(6,280)</u>	<u>(9,289)</u>
Trade receivables – net	96,174	70,350
Bills receivables	4,366	1,334
Prepayments	1,306	2,845
Deposits paid	913	877
Other receivables	<u>305</u>	<u>326</u>
	<u>103,064</u>	<u>75,732</u>
Less: Non-current portion deposits	<u>(359)</u>	<u>(288)</u>
	<u><u>102,705</u></u>	<u><u>75,444</u></u>

The following table sets forth the carrying amounts of trade and other receivables as denominated in the following currencies as of the dates indicated:

	As at 31 December 2015 HK\$'000	As at 31 December 2016 HK\$'000
Renminbi	38,072	36,972
Euro	40,572	23,358
Hong Kong dollars	21,941	13,750
Singapore dollars	1,895	1,652
United States dollars	402	–
Other currencies	<u>182</u>	<u>–</u>
	<u><u>103,064</u></u>	<u><u>75,732</u></u>

As at 31 December 2015 and 31 December 2016, our Group's Euro denominated trade and other receivables amounted to approximately HK\$40.6 million and HK\$23.4 million, respectively, representing approximately 39.4% and 30.8% of the total trade and other receivables, respectively. Such was mainly attributable to the fact that our largest supplier

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during the Track Record Period was based in Italy and our purchases from them were predominantly settled in Euro. For the years ended 31 December 2015 and 31 December 2016, our Group recorded approximately HK\$168.6 million and HK\$138.5 million of our cost of sales in Euro, representing approximately 71.5% and 79.6% of our cost of sales, respectively. On this basis, with a view to minimising the currency exposure of our Group in Euro, our Group would request our customers and, where possible, entered into contracts and purchase orders with our customers for settlement of payment in Euro. Based on the foregoing, for the years ended 31 December 2015 and 31 December 2016, our Group recorded approximately HK\$160.4 million and HK\$163.6 million of our revenue in Euro, respectively, representing approximately 51.7% and 66.1% of our revenue, respectively.

We generally grant a credit period of not more than 180 days to our customers. For the supply of products, we usually invoice customers when the ownership of goods has been transferred to our customers. For the provision of leasing of specialised construction equipment, we usually bill customers in accordance with the prospective length of lease and subject to negotiation between us. We typically do not require any collateral as security. For the provision of ancillary services, other than leasing of specialised construction equipment, we usually invoice customers after the services have been provided.

Our policy for impairment on trade receivables is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. Our management monitors the trade receivables balance and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. After considering the nature of trade receivables and their collectability on a case-by-case basis, we may make provisions for the impairment of certain long overdue trade receivables in order to ensure the quality of our assets.

The following table sets forth the aging analysis of our net trade receivables, as at the dates indicated.

	As at 31 December 2015 HK\$'000	As at 31 December 2016 HK\$'000
0 to 30 days	28,907	24,971
31 to 60 days	21,060	11,252
61 to 90 days	16,426	4,541
91 to 180 days	13,702	10,131
181 to 365 days	8,572	7,231
1 to 2 years	6,050	11,553
More than 2 years	1,457	671
	96,174	70,350

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As at 30 April 2017, approximately HK\$39.0 million of approximately HK\$70.4 million of our trade receivables outstanding as at 31 December 2016 was settled, which represents subsequent settlement rate of approximately 55.4%.

As at 31 December 2015 and 31 December 2016, trade receivables of approximately HK\$59.6 million and HK\$49.7 million, were past due but not impaired, respectively. These related to a number of customers with no recent history of default, and based on past experience, the overdue amounts can be recovered. For further details on trade receivables turnover days, please refer to relevant disclosure in this section below. The aging analysis of trade receivables past due but not impaired is as follows:

	As at 31 December 2015 HK\$'000	As at 31 December 2016 HK\$'000
Neither past due nor impaired	36,577	20,616
Past due but not impaired:		
– Less than 3 months past due	41,431	23,174
– 3 to 6 months	6,657	11,637
– 6 months to 1 year	8,724	6,102
– 1 to 2 years	1,780	8,150
– More than 2 years	1,005	671
	<u>96,174</u>	<u>70,350</u>

Approximately HK\$14.9 million or approximately 30.0% out of our overdue trade receivables of approximately HK\$49.7 million as at 31 December 2016 were overdue for more than six months, representing an increase compared to approximately HK\$11.5 million of trade receivables overdue for more than six months as at 31 December 2015. Such increase was largely attributable to the slow settlement primarily from certain of our customers based in the PRC, being state-owned enterprises. The amount of our overdue trade receivables decreased over the Track Record Period. Trade receivables past due between three to six months and more than six months as at 31 December 2016 were partially settled up to 30 April 2017 and were reduced from (i) approximately HK\$11.6 million to approximately HK\$4.8 million; and (ii) approximately HK\$14.9 million to approximately HK\$10.6 million, respectively. In terms of percentage, approximately 58.4% of the trade receivables past due between three to six months as at 31 December 2016 and approximately 29.2% of the trade receivables past due more than six months as at 31 December 2016 was settled as at 30 April 2017. It is not uncommon in the construction industry to have slow payment from customers and that certain contractors may further delay payments to their suppliers when their projects are delayed or until they have received settlements for their work performed. Our Directors are of the view that these outstanding trade receivables are recoverable and/or no provision is required for these trade receivables for the following reasons: (i) appropriate provision for impairment of trade receivables has already been made in respect of trade receivables of which provision for impairment is required in accordance with our policy for impairment; (ii) our Directors consider that these overdue trade debtors, which include state-owned enterprises and listed

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companies, have satisfactory credit profile (based on past track records and experience) with good market reputation; (iii) they have engaged in continued dialogue with us and make payment to partially settle their outstanding balance with us from time to time; and (iv) based on the foregoing and in accordance with our policy for impairment, no provision is made for the receivables which satisfied the criteria (ii) and (iii) mentioned above. Please refer to the section headed “Business – Analysis on major components of the consolidated statements of financial position – Trade and other receivables” above and Note 2(k) under the section headed “2 Summary of significant accounting policies” in the Accountant’s Report set out in Appendix I to this prospectus for details of our policy for impairment.

Measures to reduce long overdue receivables

We actively managed our overdue trade receivables and have undertaken measures with a view to reduce our overall trade receivables turnover days and manage the risks of bad debt. Prior to competing for sizeable contracts, we would assess the credit profile of our potential customers and the reputation of our potential customers in the industry. Our finance team also monitors the aging of our trade receivables on a regular basis. Moreover, as confirmed by our Directors, our finance team adopts the following procedures to recover overdue trade receivables: (i) instruct the designated sales person to follow up with the relevant customers directly; (ii) issue a monthly statement to the relevant customers of the amounts due to our Group; (iii) issue a payment reminder to the relevant customers; and (iv) under certain circumstances, as and when considered necessary, we may issue legal letter when trade receivables are over six months overdue. Having considered (i) the abovementioned procedures adopted by our Group; (ii) we continued to receive payment from our customers partially settling the relevant receivables from time to time; and (iii) the turnover days of trade receivables for the year ended 31 December 2016 were lower than that for the year ended 31 December 2015, our Directors are of the view that our credit control policy is adequate and effective.

We make specific provision for doubtful debts when there is objective evidence that we will not be able to collect the amounts due.

The following table sets out the turnover days of trade receivables for each reporting period during the Track Record Period:

	For the year ended 31 December 2015	For the year ended 31 December 2016
Trade receivables turnover days (Note)	<u>113.2 days</u>	<u>103.8 days</u>

Note: The trade receivables turnover days for a given year is calculated based on the trade receivables balance (net of provision for impairment) as at the year-end divided by the revenue for that year and multiplied by 365 days.

Our revenue recognised during the Track Record Period may fluctuate subject to the size and the progress of our customer’s projects at any given time thereby affecting our trade receivables balance as at the respective year end and the trade receivables turnover days during the Track Record Period.

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Whilst our revenue decreased from approximately HK\$310.1 million for the year ended 31 December 2015 to approximately HK\$247.3 million for the year ended 31 December 2016, our trade receivables (net of provision for impairment) also decreased from approximately HK\$96.2 million as at 31 December 2015 to approximately HK\$70.4 million as at 31 December 2016. On this basis, our trade receivables turnover days decreased from approximately 113.2 days for the year ended 31 December 2015 to approximately 103.8 days for the year ended 31 December 2016.

Cash and cash equivalents

Our cash and cash equivalents primarily consisted of bank deposits. Our cash and cash equivalents decreased from approximately HK\$64.0 million as at 31 December 2015 to approximately HK\$44.4 million as at 31 December 2016, primarily as a result of repayment of borrowings of approximately HK\$18.9 million and dividends paid of HK\$30.6 million offset by net cash generated from operating activities of approximately HK\$26.5 million. For further details of the movements in our cash and cash equivalents please refer to the paragraph headed “Financial information – Liquidity and capital resources” in this prospectus above.

Trade and other payables

Trade and other payables as at 31 December 2015 and 31 December 2016 were approximately HK\$79.3 million and HK\$50.6 million, respectively, of which a breakdown is set out below:

	As at 31 December 2015	As at 31 December 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	74,834	45,129
Trade deposits received	254	–
Accrued expenses	3,327	4,823
Other payables	857	670
	<u>79,272</u>	<u>50,622</u>

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The following table sets out the carrying amounts of trade and other payables as denominated in the following currencies:

	As at 31 December 2015 HK\$'000	As at 31 December 2016 HK\$'000
Euro	66,839	31,617
Hong Kong dollars	11,086	10,918
Other currencies	1,347	8,087
	<u>79,272</u>	<u>50,622</u>

Our trade and other payables are primarily denominated in Euro as they are mainly related to purchase of products from our suppliers situated in Europe.

Our trade payables decreased from approximately HK\$74.8 million as at 31 December 2015 to approximately HK\$45.1 million as at 31 December 2016, which was mainly due to decrease in purchases from our suppliers during the year ended 31 December 2016.

During the Track Record Period, generally we were granted trade credit periods of 60 days to 90 days from the date of invoice. The table below sets forth, as of the dates indicated, the aging analysis of our trade payables based on invoice date:

	As at 31 December 2015 HK\$'000	As at 31 December 2016 HK\$'000
0 – 30 days	17,766	8,124
31 – 60 days	23,401	18,731
61 – 90 days	13,916	12,070
91 – 120 days	17,705	3,024
Over 120 days	2,046	3,180
	<u>74,834</u>	<u>45,129</u>

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The following table sets out the average trade payables turnover days for the periods indicated:

	For the year ended 31 December 2015	For the year ended 31 December 2016
Trade payables turnover days (<i>Note</i>)	<u>115.9 days</u>	<u>94.6 days</u>

Note: The trade payables turnover days for a given year is calculated based on the trade payables balance as at the year-end divided by the cost of sales for that year and multiplied by 365 days.

Our cost of sales incurred during the Track Record Period may fluctuate subject to the size and the progress of our customer's contract at a given time thereby affecting our trade payables balance as at the respective year end and the trade payables turnover days during the Track Record Period.

Whilst our cost of sales decreased from approximately HK\$235.7 million for the year ended 31 December 2015 to approximately HK\$174.1 million for the year ended 31 December 2016, our trade payables decreased from approximately HK\$74.8 million as at 31 December 2015 to approximately HK\$45.1 million as at 31 December 2016. As such, our trade payables turnover days decreased from approximately 115.9 days for the year ended 31 December 2015 to approximately 94.6 days for the year ended 31 December 2016. Such movement was mainly attributable to decrease in purchases from our suppliers.

Dividends payable

As at 31 December 2015 and 31 December 2016, we had dividends payable of approximately HK\$25.3 million and HK\$6.5 million, respectively. Our dividends payable decreased from approximately HK\$25.3 million as at 31 December 2015 to approximately HK\$6.5 million as at 31 December 2016, which was mainly attributable to (i) the declaration of approximately HK\$11.8 million of dividend; and (ii) the payment of dividend in the amount of approximately HK\$30.6 million, during the year ended 31 December 2016.

Capital commitments

As at 31 December 2015 and 31 December 2016, we had no capital commitment.

Contingent liabilities

As at 31 December 2015 and 31 December 2016 we had no significant contingent liabilities or outstanding litigation.

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INDEBTEDNESS

The table below sets out the indebtedness of our Group as at the respective dates indicated.

	As at 31 December 2015 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>	As at 30 April 2017 <i>HK\$'000</i> <i>(unaudited)</i>
Non-current			
Secured bank loans	4,947	–	–
Finance lease liabilities	208	59	20
	5,155	59	20
Current			
Secured bank loans	2,823	–	–
Unsecured bank loans	25,000	20,000	20,000
Finance lease liabilities	244	113	115
	28,067	20,113	20,115
Total	33,222	20,172	20,135

As at 30 April 2017, being the latest practicable date for the purpose of this statement of indebtedness, we had outstanding indebtedness of approximately HK\$20.1 million, which were denominated in HK\$.

Bank loans

During the Track Record Period, our bank loans were primarily obtained for (i) working capital purposes; and (ii) the acquisition of property, plant and equipment. The bank loans classified as non-current liabilities amounted to approximately HK\$4.9 million and nil as at 31 December 2015 and 31 December 2016, respectively, and the bank loans classified as current liabilities amounted to approximately HK\$27.8 million and HK\$20.0 million, respectively.

As at the Latest Practicable Date, our Group's unutilised banking facilities amounted to approximately HK\$17.0 million.

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Set out below is the maturity profile of our bank loans as at the respective dates indicated.

	As at 31 December 2015 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>	As at 30 April 2017 <i>HK\$'000</i> <i>(unaudited)</i>
Within 1 year	25,431	20,000	20,000
Between 1 and 2 years	440	–	–
Between 2 and 5 years	1,385	–	–
Over 5 years	5,514	–	–
	<u>32,770</u>	<u>20,000</u>	<u>20,000</u>

The above secured bank loans and other banking facilities were secured by the followings:

- (i) investment properties of our Group with carrying amount of approximately HK\$5.6 million as at 31 December 2015;
- (ii) our Group's bank deposits of approximately HK\$2.5 million, HK\$2.5 million and HK\$2.5 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively;
- (iii) personal guarantees jointly and severally provided by Mr. Ng and Mr. Timothy Ng;
- (iv) corporate guarantees provided by M&L and East Focus; and
- (v) land and buildings of our Group with carrying amount of approximately HK\$7.9 million as at 31 December 2015.

Those personal guarantees provided by one or more of our executive Directors that remained outstanding as at 30 April 2017 will be released before or upon Listing. The above finance lease liabilities were secured by a leased motor vehicle of our Group under the relevant finance lease.

Our borrowings from banks during the Track Record Period contained standard covenants that restricted us on, among others, change in nature of our business and or/change in our directors and shareholders. We have to notify and/or obtained prior consent from banks for any change in our ownership and change in nature of business.

Our Directors confirm that our Group settled our debt obligations in a timely manner, had not experienced difficulties in obtaining loans or breached any financial covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that there are no material covenants relating to our outstanding debts in our banking facilities.

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Disclaimers

Save as disclosed above, we did not have at the close of business on 30 April 2017 any debt securities issued and outstanding, or authorised or otherwise created but unissued, or term loans any other borrowings or indebtedness including bank overdrafts and liabilities under acceptances or acceptance credits or hire purchase commitments, any mortgages or charges, any debentures, any contingent liabilities or guarantees.

KEY FINANCIAL RATIOS

The following table set forth the key financial ratios of our Group as at the respective dates indicated and during the Track Record Period:

	As at 31 December 2015	As at 31 December 2016
Current ratio ⁽¹⁾	1.42	1.92
Quick ratio ⁽²⁾	1.16	1.56
Gearing ratio ^(3 & 4)	–	–
	For the year ended 31 December 2015	For the year ended 31 December 2016
Return on equity ratio ⁽⁵⁾	36.6%	23.1%
Return on assets ratio ⁽⁶⁾	11.7%	12.0%
Interest coverage ratio ⁽⁷⁾	149.8 times	34.2 times

Notes:

1. Current ratio is calculated by dividing current assets by current liabilities as at the respective end of the year.
2. Quick ratio is calculated by dividing current assets less inventory by current liabilities as at the respective end of the year.
3. Gearing ratio is calculated by dividing net debts (being the total interest-bearing loans including banks and other borrowings and amounts due to related parties and shareholders less cash and cash equivalents) by total equity as at the respective end of the year.
4. Our Group was in net cash position as at 31 December 2015 and 31 December 2016, respectively.
5. Return on equity ratio is calculated by dividing profit for the year attributable to equity holders of the Company by the total equity as at the respective year-end date.
6. Return on total assets ratio is calculated by dividing profit for the year attributable to equity holders of the Company by the total assets as at the respective year-end date.
7. Interest coverage ratio is calculated by dividing profit before interest and tax by the finance cost for the corresponding year.

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Current ratio and quick ratio

The current ratio of our Group as at 31 December 2015 and 31 December 2016 was approximately 1.42 times and 1.92 times, respectively, while the quick ratio as at 31 December 2015 and 31 December 2016, was approximately 1.16 times and 1.56 times, respectively.

Our current and quick ratios increased from approximately 1.42 times and 1.16 times as at 31 December 2015 to approximately 1.92 times and 1.56 times as at 31 December 2016, respectively, which was primarily due to the decrease in current assets of approximately HK\$49.2 million or 23.4% from approximately HK\$209.8 million as at 31 December 2015 to approximately HK\$160.7 million as at 31 December 2016 as compared to the decrease in current liabilities of approximately HK\$63.7 million or 43.2% from approximately HK\$147.5 million as at 31 December 2015 to approximately HK\$83.8 million as at 31 December 2016. The decrease in current assets over the same period was primarily attributable to the decrease in (i) trade and other receivables of approximately HK\$27.3 million; (ii) inventories of approximately HK\$9.3 million; and (iii) cash and cash equivalents of approximately HK\$19.6 million. Whereas the decrease in current liabilities was primarily due to the decrease in (i) trade and other payables of approximately HK\$28.7 million; (ii) dividend payables of approximately HK\$18.7 million; and (iii) bank borrowings of approximately HK\$7.8 million.

Our Directors confirm that our Group had no default in payment of trade payables, accruals, bank borrowings and/or breaches of the finance bank covenants during the Track Record Period.

Gearing ratio

Our Directors confirmed that as at each of 31 December 2015 and 31 December 2016, we maintained a net cash position. On this basis, we did not record a gearing ratio.

Return on equity

For each of the years ended 31 December 2015 and 31 December 2016, we recorded a return on equity of approximately 36.6% and 23.1%, respectively. The difference was mainly attributable to the increase of our total equity from approximately HK\$72.2 million as at 31 December 2015 to approximately HK\$91.5 million as at 31 December 2016.

Return on assets

For each of the years ended 31 December 2015 and 31 December 2016, we recorded a return on assets of approximately 11.7% and 12.0%, respectively. The increase in return on assets ratio for the year ended 31 December 2016 as compared to that of the year ended 31 December 2015 was primarily attributable to the decrease in total assets recorded as at 31 December 2016 attributable to the decrease in trade and other receivables, and inventories.

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Interest coverage

For each of the years ended 31 December 2015 and 31 December 2016, we recorded an interest coverage ratio of approximately 149.8 times and 34.2 times, respectively. Finance costs increased to approximately HK\$0.8 million for the year ended 31 December 2016 from approximately HK\$0.2 million for the year ended 31 December 2015. The increase was mainly attributable to the drawdown of HK\$20.0 million revolving facility in the fourth quarter of 2015 which has been partly repaid during the year ended 31 December 2016. For further details on our borrowings, please refer to the paragraph headed “Financial information – Indebtedness” in this prospectus.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

As our Businesses cover several geographic locations, we settled in different foreign currencies with our customers and suppliers during the Track Record Period. For the years ended 31 December 2015 and 31 December 2016, our Group recorded exchange losses of approximately HK\$1.7 million and HK\$2.5 million, respectively. The exchange losses were mainly due to changes in our foreign currency denominated trade receivables and trade payables during the Track Record Period.

During the Track Record Period, other than Hong Kong dollars, the major currencies of which our Group transacted in consisted primarily of EUR and RMB (the “**Major Foreign Currencies**”).

For the years ended 31 December 2015 and 31 December 2016, (i) approximately 51.7% and 66.1% of our Group’s revenue was transacted in EUR, respectively; and (ii) approximately 18.7% and 11.8% of our Group’s revenue was transacted in RMB, respectively.

For the years ended 31 December 2015 and 31 December 2016, (i) approximately 71.5% and 79.6% of our Group’s cost of sales was transacted in EUR, respectively; and (ii) approximately 7.2% and 3.8% of our Group’s cost of sales was transacted in RMB, respectively.

While our Group did not adopt any hedging policies during the Track Record Period, our Directors consider that we were able to manage our exposure to foreign exchange risks by using the Major Foreign Currencies (i) as the settlement currencies of our contracts with certain customers; and (ii) to settle payments with our suppliers.

As part of our Group’s treasury practice, we would manage our foreign currency exposure by converting part of our Major Foreign Currencies holdings to Hong Kong dollars from time to time. Going forward, our Directors will continue to use the Major Foreign Currencies as the settlement currency of our contracts with our customers and suppliers in order to manage our exposure to foreign exchange risks. In addition, our Group will continue to evaluate and monitor our exposure to foreign exchange risks from time to time and may consider adopting hedging policies if necessary.

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We are also exposed to market risks from changes in market rates and prices, such as foreign exchange risk, credit risk, cash flow and fair value interest rate risk, and liquidity risk. For further details, please refer to note 3 to the Accountant's Report in Appendix I to this prospectus.

OFF BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements.

LISTING EXPENSES

The listing expenses primarily represent professional fees for our Share Offer. The total listing expenses are estimated to be approximately HK\$28.5 million, of which approximately HK\$8.9 million will be charged against the share premium account upon completion of the Listing. Approximately HK\$8.1 million of the listing expenses was recognised as expense in the consolidated statements of comprehensive income during the Track Record Period. The remaining estimated listing expenses of approximately HK\$11.5 million will be recognised as expense in the consolidated statements of comprehensive income for the period from January 2017 to July 2017. **Our Directors wish to inform our Shareholders and potential investors that our Group's financial performance and results of operations for the year ending 31 December 2017 will be significantly affected by the estimated expenses in relation to the Listing.**

DIVIDENDS

For the years ended 31 December 2015 and 31 December 2016, dividends of approximately HK\$45.0 million and HK\$11.8 million were declared by our Group, representing approximately 170.2% and 55.8% of the respective year's net profit attributable to equity holders of our Company. Subsequent to the Track Record Period, our Group declared a dividend of approximately HK\$11.1 million in March 2017, of which approximately HK\$10.0 million and HK\$1.1 million was attributable to equity holders of our Company and non-controlling interests, respectively. The entire dividend amount attributable to equity holders of our Company of approximately HK\$10.0 million has been settled. In April 2017, our Group has further declared a dividend of approximately HK\$8.4 million, of which approximately HK\$8.0 million and HK\$0.4 million was attributable to equity holders of our Company and non-controlling interests, respectively. The portion attributable to the equity holders of our Company has been settled.

Following completion of the Share Offer, our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and amount of dividends declared by our Board will depend upon our Group's (i) overall results of operation; (ii) financial position; (iii) capital requirements; (iv) shareholders' interests; (v) future prospects; and (vi) other factors which our Board deems relevant. Our Group currently does not have any dividend policy in place nor determined any fixed dividend payout ratio after Listing. Nevertheless, this should not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

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SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that after taking into account financial resources of our Group, including the cash flow generated from the operating activities, the existing bank borrowings and the banking facilities available to our Group and the estimated net proceeds of the Share Offer, our Group has sufficient working capital for its present requirements for the next 12 months from the date of this prospectus.

RELATED PARTY TRANSACTIONS

For analysis of related party transactions, please refer to the Accountant's Report as set out in Appendix I to this prospectus in addition to the transactions detailed elsewhere in this prospectus. Our Directors believe that such transactions were conducted on normal commercial terms and such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interests of our Shareholders as a whole.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Our unaudited pro forma adjusted consolidated net tangible assets was prepared for illustrative purposes only and may not give a true picture of our financial position due to its hypothetical nature. For further details, please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on 24 September 2015 and has not carried on any business since the date of our incorporation. As at 31 December 2016, we had a distributable reserve of approximately HK\$75.3 million available for distribution to our shareholders.

NO MATERIAL ADVERSE CHANGE

Save as disclosed under the paragraph headed "Financial information – Listing expenses" in this section, 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 December 2016 (being the date to which the latest audited consolidated financial statements of our Group were made up).

DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES

We position ourselves as an Integrated Engineering Solutions provider in connection with specialised cutting tools and parts for construction equipment with particular focus on Disc Cutters. Disc Cutters are widely used in conjunction with TBMs and micro-tunnelling equipment and typically applied towards the excavation of tunnels with a circular cross section through a variety of soil and rock strata. In addition to our focus in the tunnelling sector, we also provide Integrated Engineering Solutions to our customers in the foundation sector. In general, our Integrated Engineering Solutions involve (i) the supply of specialised cutting tools and parts for construction equipment; (ii) the supply of fabricated construction steel works and equipment; (iii) the supply of specialised construction equipment; and (iv) ancillary services which include leasing of specialised construction equipment, and repair and maintenance services. Our business can broadly be categorised into two segments, namely tunnelling and foundation. We will continue to adhere to our core strategic objective of maximising shareholder value by driving the long-term sustainable growth of our business. We focus on pursuing business opportunities within our core markets, whilst at the same time seeking to expand our customer base, with a goal of creating steady returns for Shareholders.

BUSINESS STRATEGIES AND FUTURE PLANS

We believe business strategies built upon our core strengths will enable us to sustain our business. For further details on our business strategies and future plans, please refer to the paragraph headed “Business – Business strategies” in this prospectus.

USE OF PROCEEDS

The net proceeds from the Share Offer, after deducting underwriting fees and estimated expenses paid and payable by us in connection thereto of approximately HK\$28.5 million, are estimated to be approximately HK\$39.0 million, assuming an Offer Price of HK\$0.45 per Share, being the mid-point of the proposed Offer Price range of HK\$0.4 to HK\$0.5 per Share. We intend to use such net proceeds as follows:

- approximately HK\$16.0 million (or approximately 41.0% of the net proceeds) will be used to further develop our fabricated construction steel works and equipment business in the PRC, including the set up of our fabricated construction steel factory in the PRC, acquiring the required machinery and equipment, the recruitment of one sales manager, one plant manager and six workers;
- approximately HK\$13.6 million (or approximately 34.9% of the net proceeds) will be used to acquire and/or partly finance the expansion of our fleet of specialised construction machinery and equipment for leasing and/or trading;
- approximately HK\$5.5 million (or approximately 14.1% of the net proceeds) will be invested to expand our repair and maintenance services in the PRC for our tunnelling business; and

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- approximately HK\$3.9 million (or approximately 10.0% of the net proceeds) will be assigned for general working capital purposes of our Group.

To the extent that the net proceeds are not immediately applied for the above purposes and to the extent permitted by applicable laws and regulations, it is the current intention to deposit the net proceeds into short-term interest bearing deposits with authorised financial institutions in Hong Kong.

For further details on our proposed use of proceeds, please refer to the paragraph headed “Future plans and use of proceeds – Implementation plans and utilisation of the net proceeds” below.

If the final Offer Price is set at any point within the indicative Offer Price range, the net proceeds will be adjusted proportionately.

IMPLEMENTATION PLANS AND UTILISATION OF THE NET PROCEEDS

There is no assurance that our business plan will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all. We will make appropriate announcement(s) if there is any change to the proposed use of proceeds or if any amount of the proceeds will be applied for general corporate purposes.

We endeavour to achieve the milestone events set out in this section of prospectus for each of the six-month periods from the Listing Date to 31 December 2019, and the respective scheduled completion times are based on certain bases and assumptions as set out under the paragraph headed “Future plans and use of proceeds – Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in the section headed “Risk factors” in this prospectus.

Further develop our fabricated construction steel works and equipment business in the PRC

During the Track Record Period, we rely on the Fabricated Steel Factories to manufacture M&L Custom-made Products. We intend to set up a new self-operated fabricated construction steel factory with the capability to carry out key steel fabrication functions such as welding and fitting works, assembly and other related ancillary activities, in the Guangdong Province, the PRC. It is intended that our new factory will focus on the manufacture of Technically More Complex M&L Custom-made Products, for example, (i) equipment to assist TBMs to operate and maneuver in the limited space at the tunnelling work sites; (ii) products with specified functions to enable the working environment to be in compliance with the required regulations; (iii) purpose built load-carrying structure and equipment; and (iv) specialised equipment to improve operational efficiencies and working environment of TBM work sites. In general, Technically More Complex M&L Custom-made Products may possess one or more of the following characteristics, (i) require manufacture processes that involve the deployment of machinery; (ii) proprietary design that requires engineering input and know-how; (iii) the end products of which include multiple parts with mobility rather than a static structure;

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(iv) specifically design and manufacture to work in conjunction with or form part of a larger system/equipment; (v) being powered by hydraulic systems and/or electricity (including our jointly developed RCD rig); and (vi) being relatively more difficult to manufacture as result of the size and/or structural formation of the product. During the Track Record Period, our Group has demonstrated our engineering solution capabilities by designing and selling Technically More Complex M&L Custom-made Products to satisfy our customers' requirements. However, attributable to the limitations of the Fabricated Steel Factories' equipment, despite our design and engineering solutions capabilities, there were occasions where we were not able to take on or provide quotation for certain orders of M&L Custom-made Products in the past.

We also intend to utilise our knowledge in fabricated construction steel works and the capabilities of our new factory to manufacture the required steel structure and assemble our jointly developed RCD rig with the M&L-Palmieri brand for foundation projects, once completed, such shall be available for leasing and/or trading in our target markets such as Hong Kong, the PRC and other overseas countries. Save for the purchase of certain components for the assembly of the jointly developed RCD rig with the M&L-Palmieri brand from Palmieri by utilising part of the proceeds from the Share Offer, our Directors currently do not intend to use the new factory in other ways in association with Palmieri products. The factory shall have good accessibility to the transportation network to facilitate efficient delivery of finished products to our customers.

Our Directors consider that the establishment of the new factory will be beneficial to our Group for the following reasons: (i) while we expect to continue to outsource the manufacture of relatively simple M&L Custom-made Products to the Fabricated Steel Factories, our new factory will be supplemental to our existing business by focusing on the manufacture of Technically More Complex M&L Custom-made Products which will enhance our Integrated Engineering Solutions capabilities and enable us to extend our range of M&L Custom-made Products and to serve the wider needs of our existing and potential customers; (ii) from time to time, we have received enquiries from our customers to manufacture Technically More Complex M&L Custom-made Products in the past. During the year ended 31 December 2016, in response to the request of our potential customers and, where relevant, based on the information as set out in the respective tender documents provided, our Group has provided not less than six quotations with quoted price exceeding HK\$2.0 million each, to our potential customers in relation to the supply of Technically More Complex M&L Custom-made Products. In this connection, our quoted price for these potential opportunities, ranged from approximately HK\$2.1 million to approximately HK\$9.2 million, with the majority of these quotations exceeding HK\$5.0 million in value. However, we were not able to seize these opportunities. Our Directors are of the view that the new factory, to be fitted-out with the required equipment, combined with our Group's engineering and design capabilities accumulated through our supply of fabricated construction steel works and equipment business since 1999, shall facilitate us to capture these business opportunities, which would in turn increase our revenue and profitability; (iii) through the supply of an extended range of M&L Custom-made Products, we would be able to further develop the cross selling of our supplied products and services, broaden our revenue base and reduce our reliance on the Palmieri Group over time as we further develop our supply of fabricated construction steel works and

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equipment business in the mid-to long-term. Our Group's cross selling ability during the Track Record Period (i.e. selling across our multiple service lines) is evidenced by the fact that, for each of the years ended 31 December 2015 and 2016, approximately 87.5% of our customers to the 16 sizeable contracts and approximately 62.5% of our customers to the 17 sizeable contracts purchased products and/or services from more than one of our service lines, respectively; (iv) as the new factory is self-operated, the intellectual property rights of our tailor-made M&L Custom-made Products can be better protected in particular, for Technically More Complex products, whose designs are typically developed after conducting in-house research and development on the feasibility, structural design and required functionalities so as to solve specific problems encountered by our customers, such would help us to remain competitive in the market as well as promote long term sustainability of our supply of fabricated construction steel works and equipment business; (v) Technically More Complex M&L Custom-made Products have brought higher margin than M&L Custom-made Products which are relatively less complex, as per the previous experience of our Group including the supply of units of tailor-made weight lifting grab and tailor-made weight lifting gantries during the Track Record Period; and (vi) a self-operated fabricated construction steel factory would enable us to have better quality and time control of our M&L Custom-made Products.

Our Directors are of the view that given M&L Custom-made Products are often made to order to cater for the specific needs of our customers, attributable to the nature of such business, we operate our M&L Custom-made Products business on a project-by-project basis. As such, our Group has experienced fluctuations in the demand of M&L Custom-made Products in the past and during the Track Record Period. Going forward, our Directors expect that the supply of M&L Custom-made Products will focus primarily on both the Hong Kong and PRC markets.

Having considered, the potential long term prospects of each of the tunnelling and foundation industries in these geographies, in particular, (i) the Government's agenda to address the housing shortage in Hong Kong which may involve the increase in housing supply as well as the construction of new infrastructure or make enhancements to the existing infrastructure. According to the 2017 Policy Address, the Government shall continue its efforts to increase housing supply, by way of changing existing land uses and increasing development intensity, which involve an estimated 210 housing sites identified through land use reviews, Kai Tak Development Area, Diamond Hill Comprehensive Development Area, reuse of three quarry sites, railway property developments and urban renewal projects, and it is estimated that a total of over 380,000 residential units can be provided in the short to medium term. In the medium to long term, various new development areas and new town extensions in the New Territories, as well as potential railway property development projects being planned, which can provide over 220,000 residential units and over 8.6 million square metres of commercial and industrial floor area. Based on the foregoing, the various short, medium and long-term land supply initiatives can provide over 600,000 housing units in total. As per the Ipsos Report, the gross output value of the foundation industry is estimated to be approximately HK\$24.5 billion in 2016, and increasing to approximately HK\$31.4 billion in 2020, representing a CAGR of approximately 6.4%; (ii) based on the Ipsos Report, the major driver of the TBM Disc Cutters industry in Hong Kong is the implementation of large scale infrastructure projects and it is

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expected that the trend of implementing large-scale infrastructure projects is likely to continue, especially large-scale cross-border infrastructure projects which are expected to underpin the relationship between Hong Kong and the PRC. In addition, the “2014 Railway Development Strategy” published by the Transport and Housing Bureau of Hong Kong proposed seven railway schemes up to 2026; (iii) the PRC Government’s intention under the Thirteen Five Year Plan* (十三五規劃) to increase the rate of urbanisation and the acceleration of the construction and advancement of urban agglomeration, which may involve the continuation in the construction of infrastructure to improve connectivity; (iv) based on the Ipsos Report, the total spending on tunnel construction in the PRC is estimated to be approximately US\$67.0 billion in 2016, which is expected to continue to further increase to approximately US\$96.0 billion in 2020, representing a CAGR of approximately 9.4%; (v) our established relationship with our customers which include sizeable railway construction companies, construction and engineering contractors; (vi) our existing customers demonstrated their loyalty to our Group’s supplied products and services as evidenced by their multiple purchases from our Group over time, for the years ended 31 December 2015 and 2016, not less than 99% and 100% of our revenue from the provision of M&L Customs Products were derived from sales to our existing customers, respectively; and (vii) that we have received enquiries from our customers to manufacture Technically More Complex M&L Custom-made Products from time to time in the past, which we were not able to take on in the past but shall be able to do so with the intended capability of our new factory, our Directors are of the view that there shall be adequate and ongoing market demand for M&L Custom-made Products going forward.

As such, our Directors intend for the new factory to complement, instead of to compete against, the Fabricated Steel Factories going forward, and we shall continue to engage the Fabricated Steel Factories as subcontractor (subject to acceptable pricing, terms and availability of orders from our customers) to manufacture technically less complex M&L Custom-made Products under our business model, while the new factory would primarily focus on manufacturing Technically More Complex M&L Custom-made Products. Once the new factory is in operation, with a view to maximise our Group’s profitability, it is intended that we would continue to seek quotations from Fabricated Steel Factories for M&L Custom-made Product orders placed with us by our customers and compare such against the estimated costs of our new factory. In the event that our estimated costs are less than the quoted price by the Fabricated Steel Factories, we would manufacture the subject M&L Custom-made Product in our new factory, otherwise, we would sub-contract the manufacturing of the subject M&L Custom-made Product to the Fabricated Steel Factories. Notwithstanding the above, as an interim strategy, subject to our production capacity and orders placed by our customers, if necessary, we would consider reducing the amount of sub-contracting to the Fabricated Steel Factories and carry out the relevant fabricated construction steel works in-house with a view to maintain a satisfactory level of utilisation of our fabricated construction steel factory, thus minimising the downside risks of the expansion.

We consider that we would have the relevant expertise to run our own fabricated construction steel factory. Mr. Cheung King, being an executive Director and director of our fabricated construction steel works division, is primarily responsible for the overall management of our fabricated construction steel works division. He shall be responsible for the

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development as well as overseeing operations of the fabricated construction steel factory with the assistance of a plant manager with more than 10 years of relevant experience to be hired by our Group. As part of his responsibilities under the aforesaid role, Mr. Cheung is required to ensure that the Fabricated Steel Factories is able to deliver our engineering solutions (which are developed by utilising our in house design and development capabilities to tailor for our customers' requirements in the form of M&L Custom-made Products), such would involve Mr. Cheung to instruct and explain our engineering solutions to the Fabricated Steel Factories, how to satisfy our customers' requirements, supervise the manufacture processes as well as quality control of the completed M&L Custom-made Products. Based on (i) the aforesaid experience of Mr. Cheung accumulated throughout his years of experience in working with the Fabricated Steel Factories; and (ii) his more than 20 years of experience in the construction and engineering industries in Hong Kong, our Directors are of the view that our Group will have sufficient management expertise to manage our new factory. Since Mr. Cheung joined our Group in November 1999, he has been primarily responsible for our Group's trading of specialised construction equipment and fabricated construction steel works and has gained substantial experience and technical knowledge in the construction industry. As further detailed below, we shall utilise part of the proceeds to hire one sales manager and one plant manager for our fabricated construction steel works and equipment business, each with more than 10 years of experience, and six additional fabricated construction steel workers to be based in our new fabricated construction steel factory.

Based on information available and the expected gradual development of our supply of fabricated construction steel works and equipment, save for the initial set up costs, our Directors are of the view that the fabricated construction steel factory would not materially affect our gross profit margin in the short-term.

Based on the advice of PRC Legal Adviser, we do not foresee any material difficulties in obtaining the relevant permits and licenses in connection with the establishment and operations of the fabricated construction steel factory.

We intend to shortlist suitable facilities after Listing and enter into a lease agreement for such facility on or before 31 December 2017. Subsequent to which, we intend to utilise approximately HK\$16.0 million of the net proceeds from the Share Offer, including (i) approximately HK\$3.2 million for rental, renovation and utility expenses related to the factory; (ii) approximately HK\$3.0 million for acquisition of four set of overhead cranes with various capacities and related installation costs; (iii) approximately HK\$7.3 million for acquisition of the required machinery and equipment, such as laser cutting machine, lathe, milling machine and shaper machine; and (iv) approximately HK\$2.5 million for the hiring and salary of one sales manager, one plant manager and six fabricated construction steel workers. As at the Latest Practicable Date, we have researched into several areas and identified potential suitable facilities for the new factory in Guangdong Province, the PRC. We have been and shall continue to seek suitable existing facilities as our new factory which shall involve minimal or no additional construction works. As per our expansion plan, we intend to enter into a lease agreement for the new fabricated construction steel factory on or before 31 December 2017, complete renovation and installation of equipment, and commence trial operation by the first half of 2018 and full operation by second half of 2018.

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Based on information available to our Directors as at the Latest Practicable Date, including the target production capacity, the estimated utilisation of the new factory of the relevant period, the estimated profit margin with reference to the relevant historical profit margin from the supply of M&L Custom-made Products, the expected market demand and prevailing market price of RCD rig as well as the estimated cost base of the new factory, barring any unforeseen material adverse circumstances, the new factory is expected to breakeven within 24 months from full operation and the estimated payback period is expected to be around four years from full operation.

The table below sets out the proposed utilisation of net proceeds from the Share Offer in respect of the expansion of our fabricated construction steel works and equipment business in the PRC from the Listing Date to 31 December 2019 in accordance with our implementation plan:

	From the Listing Date to 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	Total (HK\$'000)
<i>Rental, renovation and utilities expenses</i>						
Estimated use of proceeds (approximately HK\$'000)	940	2,275	–	–	–	3,215
Details	Conduct market search and shortlist potential facilities. Enter into lease agreement, payment of rental deposit of two months, property agent's fee and rental payment for one month, renovation costs	Rental of five months, renovation costs and utility expenses for six months	–	–	–	
<i>Acquisition and installation of four sets of overhead cranes</i>						
Estimated use of proceeds (approximately HK\$'000)	600	2,400	–	–	–	3,000
Details	Conduct market research and identify suitable machinery and equipment. Acquisition of one set of overhead crane and related installation costs	Acquisition of three sets of overhead cranes and installation costs for three sets of overhead cranes	–	–	–	

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	From the Listing Date to 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	Total (HK\$'000)
<i>Acquisition of machinery and equipment</i>						
Estimated use of proceeds (approximately HK\$'000)	207	5,030	2,096	–	–	7,333
Details	Acquisition of ancillary equipment	Acquisition of machines and equipment for operations such as laser cutting machine and shaper machine as well as ancillary equipment	Acquisition of machines and equipment for operations such as lathe and milling machine as well as ancillary equipment	–	–	
<i>Expansion of fabricated construction steel works and equipment team</i>						
Estimated use of proceeds (approximately HK\$'000)	40	504	636	636	636	2,452
Details	Commence recruitment process including placing recruitment advertisement for hiring one sales manager and one plant manager for our fabricated construction steel works and equipment business, each with more than 10 years of experience and one month basic salary for the sales manager	Six months basic salary for the sales manager. Hired plant manager and six fabricated construction steel workers, four months basic salary for one plant manager and six fabricated construction steel workers	Six months basic salary for the sales manager, one plant manager and six fabricated construction steel workers	Six months basic salary for the sales manager, one plant manager and six fabricated construction steel workers	Six months basic salary for the sales manager, one plant manager and six fabricated construction steel workers	
						<u>16,000</u>

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Expansion of our fleet of specialised construction machinery and equipment

With a view to further expanding and enhancing our Integrated Engineering Solutions capabilities to provide a more comprehensive range of products and/or services as well as broadening our revenue base through the increased product offerings and further developing the cross selling of our supplied products and services, we intend to expand our fleet of specialised construction machinery and equipment by acquiring (i) the necessary components for our manufacturing and assembly of two sets of RCD rig, being one of the commonly used special construction machineries to carry out bored piling related works for foundation projects, in our new fabricated construction steel factory; and (ii) two sets of vibrodriver from PTC, being one of the commonly used special construction machineries to carry out sheet pile related works for foundation projects.

Subject to the availability of these specialised construction machinery and equipment, we intend to acquire (i) the necessary components for one set of RCD rig, from Palmieri Group and other third party suppliers, during the six months ending 30 June 2018 and 30 June 2019, respectively; and (ii) one set of vibrodriver from PTC during the six months ending 31 December 2017 and 31 December 2018, respectively.

We commenced our business of supply of specialised construction equipment in 1996 and commenced our business of leasing of specialised construction equipment in 2000. Our Group has demonstrated our expertise and ability to conduct a viable leasing and trading of special construction machinery and equipment business. Prior to the Track Record Period, during each of the years ended 31 December 2013 and 2014, our Group derived rental income from leasing of RCD rig from various customers and sold three out of four sets of its RCD rig. As at 31 December 2016, our fleet of specialised construction machinery and equipment included (i) three sets of vibrodriver (two of which were purchased from PTC in 2015 and the remaining one was more than 20 years of age and has been used in the past); and (ii) one set of RCD rig, which was also more than 15 years of age and has been used in the past. Subsequent to the Track Record Period, one set of vibrodriver (purchased by our Group in 2015) was sold and the sale was completed in March 2017.

Given the potential market demand for these specialised construction machinery and equipment for foundation projects which is expected to arise from, among others, (i) the Government's agenda to address the housing shortage in Hong Kong which may involve the increase in housing supply; and (ii) the PRC Government's intention under the Thirteen Five Year Plan* (十三五規劃) to increase the rate of urbanisation and the acceleration of the construction and advancement of urban agglomeration, our Directors are of the view that, in order to enhance our competitiveness in the market, it is necessary for our Group to maintain newer, more marketable and competitive fleet of specialised construction machinery and equipment for leasing and/or trading. In addition, the intended use of proceeds to expand our fleet of specialised construction machinery and equipment over the next two years is in line with the business model for our leasing and trading services which is to keep a small quantity of specified type of specialised construction equipment. Furthermore, save for the net proceeds allocated for the intended use of acquiring the two sets of vibrodriver and components for two sets of RCD rig, there are no other intended material capital expenditure commitment in this connection as at the Latest Practicable Date.

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The table below sets out the proposed utilisation of net proceeds from the Share Offer in respect of the expansion of our fleet of specialised construction machinery and equipment for leasing and/or trading from the Listing Date to 31 December 2019 in accordance with our implementation plan:

	From the Listing Date to 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	Total (HK\$'000)
Estimated use of proceeds <i>(approximately HK\$'000)</i>	2,500	4,300	2,500	4,300	–	13,600
Details	Conduct market research and identify specialised construction machinery and equipment with suitable capacity. Finalise and complete the acquisition of one set of vibrodriver from PTC, which will be made available for leasing and/or trading upon completion	Purchase the components for one set of RCD rig, manufacture the steel structure, complete the assembly of the set of RCD rig, which will be made available for leasing and/or trading upon completion	Finalise and complete the acquisition of one set of vibrodriver from PTC, which will be made available for leasing and/or trading upon completion	Purchase the components for one set of RCD rig, manufacture the steel structure, complete the assembly of the set of RCD rig, which will be made available for leasing and/or trading upon completion	–	

Expansion of our repair and maintenance services in the PRC

With a view to providing timely repair and maintenance and related supporting services to our customers in the PRC, we intend to expand our repair and maintenance capabilities in the PRC. We intend to set up a Disc Cutter repair centre with a mobile technical services and maintenance team, strategically located in Guangdong Province, the PRC, with the intended purpose of serving the southern region of the PRC, as well as a mobile technical services and maintenance team. The establishment of our self-operated Disc Cutter repair centre would strengthen our competence and form part of our plan to enhance our after-sale service capabilities under the Integrated Engineering Solutions business model which would in turn enable us to better serve our customers' needs by providing our customers with the option to carry out Disc Cutter repair and maintenance at their work sites or at our Disc Cutter repair centre.

Under our existing arrangement with MEK, which primarily focuses on the supply of specialised cutting tools and parts for construction equipment, MEK may, subject to its capacity, provide limited repair and maintenance services to Disc Cutters supplied to us upon

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request as part of its after-sale services to us at our cost. While MEK is under no contractual obligation to provide the aforesaid repair and maintenance services and its current capacity for these services is limited, and that there is no assurance of the continuity of the provision of such services by MEK in the long term, our Directors are of the view that these repair and maintenance services are of strategic importance to our Group and serve as value-added service which would attract new customers and retain existing customers.

Based on our experience and requests by our customers, there are ongoing market demand of such repair and maintenance services from our existing customers. Typically, the relevant material replacement costs for repair and maintenance services are borne by our customers and the majority of our costs are attributable to labour costs. Based on our past transactions with MEK and information available to us, our Directors believe that the expected gross profit margin to be derived from these repair and maintenance services should be better than that of the overall gross profit margin of our Group recorded during the Track Record Period.

Based on the advice of PRC Legal Adviser, we do not foresee any material difficulties in obtaining the relevant permits and licenses in connection with the establishment and operations of the Disc Cutter repair centre.

Mr. Timothy Ng, an executive Director, is primarily responsible for the overall business operation and sales of our Group in Hong Kong and the PRC. He shall be responsible for the development as well as overseeing operations of the Disc Cutter repair centre with the assistance of a supervisor with relevant experience to be hired by our Group. Mr. Timothy Ng has over 25 years of experience in engineering and sales in the construction and manufacturing industries. As further detailed below, we shall utilise part of the proceeds to hire one supervisor and five additional workers for the technical services and maintenance team. Having considered our Group's practicable knowledge and knowhow related to the repair of Disc Cutters accumulated from years of experience since our business relationship with Palmieri commenced in the later 1990s, the experience and expertise of Mr. Timothy Ng, our accessibility to the required machinery which is straightforward to operate, that we have the in-house capability to train the relevant technical staff to perform the required tasks, and the limited size of the initial operations of the Disc Cutter repair centre, our Directors considered that our Group has sufficient expertise to operate the Disc Cutter repair centre.

In this connection, we intend to utilise approximately HK\$5.5 million of the net proceeds from the Share Offer, including (i) approximately HK\$0.7 million for the rental, renovation and utility expenses related to the Disc Cutter repair centre; (ii) approximately HK\$3.4 million for the acquisition of machinery and equipment for the Disc Cutter repair centre as well as specialised repair equipment for mobile technical services and maintenance team such as cranes, heat ovens, high frequency induction heaters and pressing machines; and (iii) approximately HK\$1.4 million for the hiring and salary of one supervisor and five additional workers for the technical services and maintenance team. As per our expansion plan, the Disc Cutter repair centre shall commence its operation by 31 December 2017.

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The table below sets out the proposed utilisation of net proceeds from the Share Offer in respect of the expansion of our repair and maintenance services in the PRC from the Listing Date to 31 December 2019 in accordance with our implementation plan:

	From the Listing Date to 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	Total (HK\$'000)
<i>Rental, renovation and utilities expenses</i>						
Estimated use of proceeds (approximately HK\$'000)	250	443	–	–	–	693
Details	Conduct market search and identify potential facilities. Rental deposit of two months, property agent's fee and rental for one month, renovation costs	Rental of five months, renovation costs and utility expenses	–	–	–	
<i>Acquisition of machinery and equipment</i>						
Estimated use of proceeds (approximately HK\$'000)	558	1,846	773	200	–	3,377
Details	Conduct market research and identify suitable machinery and equipment. Acquire machinery and equipment for Disc Cutter repair centre and specialised repair equipment for mobile technical services and maintenance team	Acquire machinery and equipment for Disc Cutter repair centre and specialised repair equipment for mobile technical services and maintenance team	Acquire machinery and equipment for Disc Cutter repair centre and specialised repair equipment for mobile technical services and maintenance team	Acquire specialised repair equipment for mobile technical services and maintenance team	–	
<i>Expansion of technical services and maintenance team</i>						
Estimated use of proceeds (approximately HK\$'000)	20	276	378	378	378	1,430

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	From the Listing Date to 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	Total (HK\$'000)
Details	Commence recruitment process including recruitment advertisement for one supervisor and five additional workers for the technical services and maintenance team. One month basic salary for one supervisor and one additional worker for the technical services and maintenance team	Six months basic salary for one supervisor and three workers, three months basic salary for two additional workers for the technical services and maintenance team	Six months basic salary for one supervisor and five additional workers for the technical services and maintenance team	Six months basic salary for one supervisor and five additional workers for the technical services and maintenance team	Six months basic salary for one supervisor and five additional workers for the technical services and maintenance team	<hr style="width: 10%; margin-left: auto; margin-right: 0;"/> 5,500 <hr style="width: 10%; margin-left: auto; margin-right: 0;"/>

General working capital

We plan to maintain approximately HK\$3.9 million (or approximately 10.0% of the net proceeds) to strengthen our working capital reserves. During the course of our business, we generally grant our customers a credit period with a range up to 180 days from delivery/invoice date. We have to maintain sufficient cash and bank balances for the due settlement of the obligations arising from our business, support our operations and business expansions. However, we have not designated any of the work capital reserves to any specific contracts.

BASES AND ASSUMPTIONS

The business objectives and strategies set out by our Directors are based on the following general assumptions:

- there will be no significant economic change in respect of inflation, interest rate, tax rate and currency exchange rate in the geographic locations which we operate in, including Hong Kong, the PRC and Singapore, which will adversely affect our business;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;

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- there will be no material adverse changes in the existing laws and regulations, policies or industry or regulatory treatment relating to our Group, or in the political, economical, fiscal or market conditions in which our Group operates;
- there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- the Share Offer will be completed in accordance with the terms as described in the section headed “Structure of the Share Offer” of this prospectus;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group;
- we will not be adversely affected by the risk factors as set out under the section headed “Risk factors” in this prospectus; and
- we will continue our existing operations in substantially the same manner as they were carried out during the Track Record Period and we will also be able to carry out our development plans without material disruptions.

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds of the Share Offer, will increase to approximately HK\$46.5 million or decrease to approximately HK\$31.5 million, respectively. In such event, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro-rata basis.

The application of the net proceeds as stated above are only current estimates and are subject to changes based on prevailing economic, market and business conditions. To the extent that the net proceeds of the Share Offer are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

Reasons for Listing

Our Directors believe that the Listing is an important step for the implementation of our business strategies because the estimated net proceeds from the Share Offer would enable us to expand our existing businesses with a view to broadening our revenue base. Having considered our financial position and information as set out under paragraphs headed “Financial information – Net current assets” and “Financial information – Indebtedness” in this prospectus, such as our cash and cash equivalents balance, trade and other payables balance, indebtedness position as well as the unutilised banking facilities of available to our Group as at the Latest Practicable Date, our Directors are of the view that the existing level of cash and cash equivalent balance is sufficient, but not excessive, to support ongoing working capital needs related to our ordinary course of business and operations at the current scale. On this

FUTURE PLANS AND USE OF PROCEEDS

basis, our Directors consider that relying solely on organic growth from our ongoing operations will impose constraints on the overall growth of our Group, thus our Company needs the proceeds from the Share Offer for the implementation of our strategies to expand our businesses, strengthen our competence and enhance our competitiveness by further extending our Integrated Engineering Solutions capabilities.

In addition, following the Listing, our profile and brand will be enhanced and be more credible to our potential and existing customers as well as our suppliers, which should in turn strengthen stakeholders' confidence and place our Group in a better position to negotiate business terms. Our Directors consider such to be important to our businesses as we have operations in Hong Kong and overseas, and our existing and target customers include sizeable construction and engineering contractors which are listed companies and state-owned enterprises. Furthermore, a successful listing would enable our Group to offer its employees better benefits and another alternative to incentivise our staff with a view to motivating and retaining key employees and align their interests with those of the shareholders', through the introduction of the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Statutory and general information – D. Share Option Scheme" in Appendix IV to this prospectus.

Following the Listing, we will have a broaden shareholders' base and our Group will gain access to the Hong Kong capital markets providing us additional avenues for future fund raising through the issuance of equity and debt securities for business expansions and/or other corporate usage in the longer term as and when necessary. Attributable to our asset light business model, asset back financing from financial institutions may be relatively difficult and has its limitations, thus gaining access to the Hong Kong capital markets through the Listing will offer our Group more flexibility to finance our operations. Furthermore, our Directors believe that a listing status will place us in a better position to negotiate more favorable terms in obtaining bank financing going forward.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Joint Bookrunners and Joint Lead Managers

Aristo Securities Limited
Changjiang Securities Brokerage (HK) Limited
KGI Capital Asia Limited

Public Offer Underwriters (in alphabetical order)

Aristo Securities Limited
Ballas Capital Limited
Changjiang Securities Brokerage (HK) Limited
Founder Securities (Hong Kong) Limited
Halcyon Securities Limited
KGI Capital Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer, we are offering the Public Offer Shares for subscription on, and subject to, the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Division granting listing of, and permission to deal in, the Shares to be offered pursuant to the Share Offer or otherwise as mentioned herein and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed severally and not jointly to subscribe or procure subscribers for the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. The Public Offer Underwriting Agreement is conditional on and subject to, among others, the Placing Underwriting Agreement having been signed, becoming unconditional and not having been terminated.

Grounds for Termination

The Joint Bookrunners may (for themselves and on behalf of the Public Offer Underwriters) upon giving notice to our Company, terminate the Public Offer Underwriting Agreement if prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into force:
 - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Cayman Islands, the PRC, Hong Kong, Singapore, the United States, the United Kingdom, any member of the European Union, or any other jurisdiction(s) relevant to any member of our Group or the Share Offer (collectively, the “**Relevant Jurisdictions**”) or any other similar event; or

UNDERWRITING

- (ii) any change, or any event or series of events likely to result in any change, in local, national or international financial, political, military, industrial, economic, currency exchange rates, exchange control, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including but not limited to conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of the Relevant Jurisdictions or elsewhere; or

- (iii) any moratorium, suspension or limitation on trading in shares or securities generally on, the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority, or a disruption has occurred in securities settlement, payment or clearance services or procedures in or affecting any of these stock exchanges and/or the Relevant Jurisdictions; or

- (iv) any change or development occurs involving a change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations or currency exchange rates in any of the Relevant Jurisdictions; or

- (v) any change in the condition, financial or otherwise, or in the earnings, business affairs, business prospects, trading position or operation of our Company or any member of our Group, including any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against our Company or any member of our Group; or

- (vi) any change or development involving a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or

- (vii) any moratorium on or disruption in banking activities or foreign exchange trading or settlement or clearance services in or affecting any of the Relevant Jurisdictions; or

- (viii) any outbreak or escalation of hostilities (whether or not war is or has been declared) or act of terrorism or other state of emergency or calamity or wide-spread epidemic or political or social crisis involving directly or indirectly any of the Relevant Jurisdictions or any escalation thereof, or the declaration by any of the Relevant Jurisdictions of a national emergency or war; or

UNDERWRITING

- (ix) any event of force majeure, including without limitation any act of God, war, riot, public disorder, civil commotion, fire, flood, earthquake, explosion, outbreak of disease or epidemic, terrorism (whether or not responsibility has been claimed), labour dispute, strike or lock-out involving directly or indirectly any of the Relevant Jurisdictions; or
- (x) the imposition of any economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, for or on any of the Relevant Jurisdictions; or
- (xi) any Directors being charged or indicted or detained with an indictable offence or prohibited by operation of law or otherwise disqualified from directorship, or
- (xii) the chairman, chief executive officer or chief financial officer of our Company vacating his or her office; or
- (xiii) a contravention by any member of our Group of the GEM Listing Rules or applicable laws and regulations; or
- (xiv) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Offer Shares) pursuant to the Companies Ordinance, the Companies Ordinance (Miscellaneous Provisions) or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xv) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

- (A) is or may be or is likely to be materially adverse to or materially or prejudicially affect, the business, financial or other condition of our Company or our Group or to any present or prospective shareholder of our Company in his/her/its capacity as such; or
- (B) has or might have or is likely to have a material adverse effect on the success of the Public Offer, the Placing or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or

UNDERWRITING

- (C) makes or will or may make it inadvisable, inexpedient, impracticable or not commercially viable to proceed with or to market the Public Offer, the Placing or the Share Offer, or for a material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing or the Share Offer to be performed or implemented or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (b) there comes to the notice of the Joint Bookrunners any matter or event showing any of the warranties given by our Company, our Controlling Shareholders and our executive Directors in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any respect which is or, in the sole and absolute opinion of the Joint Bookrunners, likely to be, material in the context of the Share Offer when given or repeated; or
- (c) there comes to the notice of the Joint Bookrunners any breach on the part of our Company, our Controlling Shareholders or our executive Directors of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or
- (d) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom; or
- (e) any statement contained in this prospectus, the Application Forms, the formal notice and any announcements issued by our Company in connection with the Share Offer (including any supplement or amendment thereto) was, has or may become untrue, incorrect or misleading; or
- (f) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other applicable laws and regulations; or
- (g) there shall have occurred any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Group pursuant to the indemnities referred to in the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement; or
- (h) a prohibition is imposed on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Share Offer; or
- (i) a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity which demand has or could reasonably be expected to have a material adverse effect on our Group taken as a whole; or

UNDERWRITING

- (j) a petition is presented for the winding-up or liquidation of our Company or any member of our Group or our Company or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any member of our Group or anything analogous thereto occurs in respect of our Company or any member of our Group, which in the sole and absolute opinion of the Joint Bookrunners, may or is likely to be material in the context of the Share Offer provided that the Joint Bookrunners shall, to the extent practicable, seek to consult with our Company on the effect of any such development.

Restrictions and undertakings to the Stock Exchange under the GEM Listing Rules

Restrictions on our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, no further shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except for the circumstances set out in Rule 17.29 of the GEM Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders shall not, and shall procure that the relevant registered holder(s) shall not, unless otherwise in compliance with applicable requirements of the GEM Listing Rules:

- (a) in the period commencing from the date by reference to which disclosure of his/its shareholdings is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; or
- (b) in the period of six months commencing on the date on which the period referred to in (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 (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (within the meaning of the GEM Listing Rules).

UNDERWRITING

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has further undertaken to our Company and the Stock Exchange that, in the period commencing from the date by reference to which disclosure of his/its shareholdings is made in this prospectus and ending on the date which is six months from the Listing Date:

- (a) when he/it pledges or charges any direct or indirect securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong (the “**Banking Ordinance**”))) as security for a bona fide commercial loan or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, he/it will immediately inform us in writing of such pledge or charge together with the number of securities of our Company so pledged or charged, the purpose for such pledge or charge is made, and other relevant details; and
- (b) he/it will inform our Company immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of any of the pledged or charged securities in our Company.

Undertakings to the Public Offer Underwriters

Each of our Controlling Shareholders has jointly and severally undertaken to our Company, the Sponsor, the Joint Bookrunners and the Public Offer Underwriters that, save as (i) pursuant to the Share Offer; or (ii) unless in compliance with the requirements of the GEM Listing Rules:

- (a) at any time during the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Lock-up Period**”), he/it will not, and will procure that none of his/its associates or company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it will, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant, or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance), either directly or indirectly, conditionally or unconditionally, any of the Shares or other securities of our Company or any interest therein held by him/it or his/its associates (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 Shares or other securities of our Company or any interest therein) as of the Listing Date (the “**Relevant Securities**”), or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing

UNDERWRITING

transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, provided that the foregoing restriction shall not apply to any Shares which any of them may acquire or become interested in following the Listing Date provided further that any such acquisition would not result in any breach of Rule 11.23(7) of the GEM Listing Rules;

- (b) at any time during the six months commencing on the date on which the First Lock-up Period expires (the “**Second Lock-up Period**”), he/it will not, and will procure that none of his/its associates or any company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it will, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance), either directly or indirectly, conditionally or unconditionally, any of the Relevant Securities, or enter into any swap or other arrangement that the transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing, or announce any intention to do so, if, immediately following such transactions, it will result in our Controlling Shareholders and/or any companies controlled by him/it, his/its associates, nominee or trustee when taken together, would cease to be a group of controlling shareholders (as defined in the GEM Listing Rules) of our Company, and in the event of a disposal by him/it of any of the Relevant Securities during the Second Lock-up Period, he/it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of our Company; and

- (c) without prejudice to the undertakings as referred to in paragraphs (a) and (b) above, during the period commencing on the date of the Public Offer Underwriting Agreement and ending on the date which is 12 months from the Listing Date, he/it shall:
 - (i) when he/it pledges or charges or otherwise create any rights of encumbrances over the Relevant Securities in favour of an authorised institution (as defined in the Banking Ordinance) pursuant to Rule 13.18(1) of the GEM Listing Rules for bona fide commercial loan, immediately inform our Company, the Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in writing of such pledge or charge or creation of the rights of encumbrances together with the number of Shares or securities so pledged or charged and all other information as requested by our Company, the Sponsor and/or the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and make relevant disclosure in such manner as required by the GEM Listing Rules; and

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- (ii) prior to any pledge or charges or otherwise create any rights of encumbrances over the Relevant Securities in favour of any third party other than an authorised institution (as defined in the Banking Ordinance), he/it shall obtain prior written consent from our Company, the Sponsor and/or the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and make relevant disclosure in such manner as required by the GEM Listing Rules; and

- (iii) subsequent to the pledge or charge or creation of rights or encumbrances over the Relevant Securities as mentioned in sub-paragraph (i) and (ii) above, when he/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) or (ii) above will be disposed of, immediately inform our Company in writing of such indications, and inform the Stock Exchange, the Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in writing as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

- (d) each of our Controlling Shareholders will procure that the relevant registered holder(s) of securities comply with all restrictions and requirements under the GEM Listing Rules (or any replacement or amendment thereto made from time to time) on the disposal by him or or it or by the registered holder(s) of any securities in respect of which he or it is, or is shown in this prospectus to be, the beneficial owner.

By our Company

Pursuant to the Public Offer Underwriting Agreement, we have undertaken and covenanted with the Sponsor, the Joint Bookrunners and the Public Offer Underwriters that, and each of our Controlling Shareholders and our executive Directors has jointly and severally undertaken and covenanted with the Sponsor, the Joint Bookrunners and the Public Offer Underwriters to procure (so far as he/it is able to do so) that, without the prior written consent of the Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed) and subject always to the requirements of the Stock Exchange, save for the Offer Shares and except in the circumstances permitted pursuant to Rule 17.29 of the GEM Listing Rules, our Company shall not:

- (a) at any time during the First Lock-up Period, issue or grant (conditionally or unconditionally) any Share or any warrant, option, contract or right to subscribe for or otherwise convert into or exchange for shares or securities in our Company;

- (b) at any time during the First Lock-up Period, subject to the GEM Listing Rules and the Takeovers Code, make or agree to make any repurchase any Shares or other securities of our Company; or

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- (c) at any time during the Second Lock-up Period, issue or grant (conditionally or unconditionally) any Share, warrant, option, contract or right to subscribe for or otherwise convert into or exchange for shares or securities in our Company so as to result in our Controlling Shareholders (together with any of their associates), either individually or taken together with the other of them, ceasing to be a group of controlling shareholders (as defined in the GEM Listing Rules) of our Company, or cease to hold, directly or indirectly a controlling interest of 30% or more or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer in any of the companies controlled by him or it or any of their associates which owns any Shares. In the event of our Company issues or grants any such Share, warrant, option, contract or right during the Second Lock-up Period, our Company will take all reasonable steps to ensure that such an issue or grant will not create a disorderly or false market in the securities of our Company.

By our executive Directors

Pursuant to the Public Offer Underwriting Agreement, each of our executive Directors has severally undertaken to our Company, the Sponsor, the Joint Bookrunners and the Public Offer Underwriters that, save as (i) pursuant to the Share Offer; or (ii) unless in compliance with the requirements of the GEM Listing Rules, at any time during the First Lock-up Period, he will not, and will procure that none of his associates or company controlled by him or any of his associates, nominees or trustees holding in trust for him will, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant, or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance)), either directly or indirectly, conditionally or unconditionally, any of the Shares or other securities of our Company or any interest therein held by him or his associates (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 Shares or other securities of our Company or any interest therein) as of the Listing Date (the “**ED Relevant Securities**”), or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the ED Relevant Securities, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, provided that the foregoing restriction shall not apply to any Shares which any of them may acquire or become interested in following the Listing Date provided further that any such acquisition would not result in any breach of Rule 11.23(7) of the GEM Listing Rules.

UNDERWRITING

By the Pre-IPO Investor and Mr. Yeung

In connection with the Public Offer Underwriting Agreement, the Pre-IPO Investor and Mr. Yeung have entered into a lock-up deed in favour of our Company, the Sponsor and the Joint Bookrunners (for themselves and on behalf of the Underwriters) pursuant to which he/it has agreed and undertaken with our Company, the Sponsor, the Joint Bookrunners and the Underwriters that he/it will not, and will procure that none of his/its associates or company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it will, at any time during the period commencing from the date of this prospectus and ending on the date which is 12 months from the Listing Date, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant, or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance)), either directly or indirectly, conditionally or unconditionally, any of the Shares or other securities of our Company or any interest therein held by him/it or his/its associates (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 Shares or other securities of our Company or any interest therein) as of the Listing Date (the “**Pre-IPO Investor Relevant Securities**”) or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Pre-IPO Investor Relevant Securities, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, provided that (i) the foregoing restriction shall not apply to any Shares which any of them may acquire or become interested in following the Listing Date provided further that any such acquisition would not result in any breach of Rule 11.23(7) of the GEM Listing Rules; and (ii) subject to compliance with the requirements of or restrictions imposed by the Stock Exchange and/or the SFC and/or under the GEM Listing Rules, the SFO and/or other relevant laws, rules and regulations, the Pre-IPO Investor and Mr. Yeung shall be entitled to dispose of up to 25% of the Pre-IPO Investor Relevant Securities at any time and from time to time after the date which is six months after the Listing Date.

Indemnity

Our Company, our Controlling Shareholders and our executive Directors jointly and severally have agreed and undertaken to indemnify and hold harmless the Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Public Offer Underwriters against certain losses which they may suffer, including, among others, losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us, any of our executive Directors or our Controlling Shareholders of the terms and conditions of the Public Offer Underwriting Agreement.

UNDERWRITING

Commission, Fee and Expenses

Under the terms and conditions of the Public Offer Underwriting Agreement, our Company shall pay or cause to be paid to Aristo (on behalf of the Public Offer Underwriters) an underwriting commission equal to 6.0% of the aggregate Offer Price for the Public Offer Shares offered by our Company, which shall be shared among the Public Offer Underwriters in accordance with the agreement among themselves and of which each Public Offer Underwriter shall meet any sub-underwriting commission agreed by it.

The aggregate commissions and fees payable by us in relation to the Share Offer, together with Stock Exchange listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$28.5 million in total.

The Placing

In connection with the Placing, it is expected that we will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters. Under the Placing Underwriting Agreement, the Placing Underwriters to be named therein would severally and not jointly, agree to procure subscribers for, or failing which to subscribe for themselves, their respective applicable proportions of the Placing Shares initially being offered in the Placing.

INDEPENDENCE OF THE SPONSOR

The Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 6A.07 of the GEM Listing Rules.

PUBLIC OFFER UNDERWRITERS' INTEREST IN OUR COMPANY

Save for its obligations under the Public Offer Underwriting Agreement, none of the Public Offer Underwriters is interested legally or beneficially in any Shares of our Company or any other member of our Company or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any other member of our Company in the Share Offer.

STRUCTURE OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer and the Placing which forms part of the Share Offer. The Share Offer comprises:

- (i) the Public Offer of initially 15,000,000 Shares to be offered by our Company (subject to reallocation as mentioned below) (representing 10% of the total number of the Offer Shares initially available under the Share Offer) to the public in Hong Kong as described in the section headed “Public Offer” below; and
- (ii) the Placing of initially 135,000,000 Shares to be offered by our Company (representing 90% of the total number of the Offer Shares initially available under the Share Offer) to selected professional, institutional and private investors outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

The number of Offer Shares to be offered under the Public Offer and the Placing, may be subject to reallocation as described in the paragraph headed “Reallocation of the Offer Shares between the Public Offer and the Placing” in this section.

PRICING AND ALLOCATION

Offer Price Range

The Offer Price will be not more than HK\$0.5 per Offer Share and is expected to be not less than HK\$0.4 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

Price Payable on Application

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.5 for each Public Offer Share (plus brokerage, SFC transaction levy and the Stock Exchange trading fee). If the Offer Price is less than HK\$0.4, appropriate refund payments (including brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants. Please refer to the paragraph headed “How to Apply for Public Offer Shares – 13. Refund of Application Monies” in this prospectus.

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring our Shares in the Placing. Prospective investors will be required to specify the number of our Shares under the Placing they would be prepared to acquire either at different

STRUCTURE OF THE SHARE OFFER

prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around Thursday, 6 July 2017, the last day for lodging applications under the Public Offer.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Wednesday, 12 July 2017 and in any event, no later than 6:00 p.m. on Friday, 14 July 2017, and the number of Shares to be allocated under the Share Offer will be determined shortly thereafter.

If for any reason, we and the Joint Bookrunners (on behalf of the Underwriters) are unable to reach agreement on the Offer Price by 6:00 p.m. on Friday, 14 July 2017, the Share Offer will not become unconditional and will lapse.

Reduction in Offer Price Range and/or Number of Offer Shares

If based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners (on behalf of the Underwriters and with our consent, and after consultation with the Sponsor) considers it appropriate, the indicative offer price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, we will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the indicative offer price range and/or number of Offer Shares. Such notice(s) will also be available at the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.mleng.com. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. Upon issue of such notice, the number of Offer Shares and/or the revised offer price range will be final and conclusive, and the Offer Price, if agreed upon, will be fixed within such revised offer price range. In the absence of any such notice, the Offer Price shall under no circumstances be set outside the offer price range indicated in this prospectus and the number of Offer Shares shall under no circumstances be fewer than the number of the Offer Shares initially offered. Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative offer price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. **Applicants under the Public Offer should note that in no circumstances can applications be withdrawn once submitted, even if the indicative offer price range and/or number of Offer Shares is so reduced.**

STRUCTURE OF THE SHARE OFFER

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners (after consultation with our Company and the Sponsor).

Allocation of our Shares pursuant to the Placing will be determined by the Joint Bookrunners (after consultation with our Company and the Sponsor) and will be based on a number of factors including the level and timing of demand, total size of the relevant investors' invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares after the listing of our Shares on the Stock Exchange. Such allocation may be made to professional, institutional and private investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Announcement of Offer Price and Basis of Allocation

The Offer Price for Shares under the Share Offer and the level of applications in the Public Offer, the level of indication of interest in the Placing, and the basis of allotment of the Public Offer Shares is expected to be announced on Thursday, 20 July 2017 and in a variety of channels in the manner described in the section headed "How to Apply for Public Offer Shares – 11. Publication of results" in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on:

- the Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the Offer Shares to be issued pursuant to the Share Offer and any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme) on the Stock Exchange and such listing and permission not having been revoked prior to the commencement of dealings in Offer Shares on the Stock Exchange;
- the Offer Price having been duly agreed between us and the Joint Bookrunners (on behalf of the Underwriters) and the execution and delivery of the Price Determination Agreement on or around the Price Determination Date;

STRUCTURE OF THE SHARE OFFER

- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement having become and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such underwriting agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be caused to be published by us in the *The Standard* (in English) and the *Hong Kong Economic Times* (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned to the applicants, without interest, on the terms set out in the paragraph headed “How to Apply for Public Offer Shares – 13. Refund of Application Monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banks 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 are expected to be issued on or before Thursday, 20 July 2017 but will only become valid certificates of title at 8:00 a.m. on Friday, 21 July 2017, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination under the Underwriting Agreements has not been exercised.

PUBLIC OFFER

We are initially offering 15,000,000 Shares at the Offer Price, representing 10% of the 150,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong, representing 10% of the Shares under the Share Offer. Multiple or suspected multiple applications and any application for more than 15,000,000 Public Offer Shares will be rejected.

Each applicant under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Placing Shares, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue.

STRUCTURE OF THE SHARE OFFER

Our Company, our Directors and the Public Offer Underwriters will take reasonable steps to identify and reject applications under the Public Offer from investors who have received Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have received Shares in the Public Offer.

The Joint Bookrunners (on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

REALLOCATION OF THE OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of the Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- if the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Public Offer Shares initially available for subscription under the Public Offer, then part of the Placing Shares will be reallocated to the Public Offer from the Placing so that the total number of Shares available for subscription under the Public Offer will be, after such reallocation, 45,000,000 Shares, representing 30% of the total number of the Offer Shares initially available under the Share Offer;
- if the number of Public Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Public Offer Shares initially available for subscription under the Public Offer, then the number of the Placing Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Shares available under the Public Offer will be, after such reallocation, 60,000,000 Shares, representing 40% of the total number of the Offer Shares initially available under the Share Offer; and
- if the number of Public Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Public Offer Shares initially available for subscription under the Public Offer, then the number of the Placing Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Shares available under the Public Offer will be 75,000,000 Shares, representing 50% of the total number of the Offer Shares initially available under the Share Offer.

STRUCTURE OF THE SHARE OFFER

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners (after consultation with our Company and the Sponsor). Subject to the foregoing paragraph, the Joint Bookrunners may (after consultation with our Company and the Sponsor) in their discretion reallocate Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In addition, if the Public Offer is not fully subscribed, the Joint Bookrunners will have the discretion (but shall not be under any obligation) to reallocate to the Placing all or any unsubscribed Public Offer Shares in such amounts as they deem appropriate (after consultation with our Company and the Sponsor).

THE PLACING

The Placing will consist of initially 135,000,000 Shares, representing 90% of the Shares under the Share Offer, to be offered by us outside of the United States in reliance on Regulation S under the U.S. Securities Act, including to professional, institutional and private investors in Hong Kong.

The Placing is subject to the Public Offer becoming unconditional.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by HKSCC.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 21 July 2017, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 21 July 2017.

Our Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares is 8152.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online with the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sponsor, the Joint Bookrunners, 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 FOR THE PUBLIC OFFER SHARES

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (other than Hong Kong, Macau and Taiwan).

If you wish to apply for Public Offer Shares online through the designated website at www.hkeipo.hk, referred to herein as the “**HK eIPO White Form**” service in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **HK eIPO White Form** service.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity and stamped with your corporation's chop.

If an application is made by a person duly authorised under a valid power of attorney, our Company and the Joint Bookrunners (or its agents or nominees) may accept or reject it at their discretion, and on any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any of its subsidiaries;
- a director or chief executive officer of our Company and/or any of its subsidiaries;
- a close associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for or indicated an interest in any Offer Shares under the Placing or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 June 2017 till 12:00 noon on Thursday, 6 July 2017 from:

- (i) the following offices of the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters:

Sponsor

Investec Capital Asia Limited
Suite 3609, 36th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

**Joint Bookrunners and
Joint Lead Managers**

Aristo Securities Limited
Room 101, 1st Floor
On Hong Commercial Building
145 Hennessy Road
Wanchai
Hong Kong

Changjiang Securities Brokerage (HK) Limited
Suite 1908, 19th Floor
Cosco Tower
183 Queen's Road Central
Central
Hong Kong

KGI Capital Asia Limited
41st Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Public Offer Underwriters

Aristo Securities Limited
Room 101, 1st Floor
On Hong Commercial Building
145 Hennessy Road
Wanchai
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

Ballas Capital Limited
Unit 1802, 18th Floor
1 Duddell Street
Central
Hong Kong

Changjiang Securities Brokerage (HK) Limited
Suite 1908, 19th Floor
Cosco Tower
183 Queen's Road Central
Central
Hong Kong

Founder Securities (Hong Kong) Limited
21st Floor
33 Des Voeux Road Central
Central
Hong Kong

Halcyon Securities Limited
11th Floor
8 Wyndham Street
Central
Hong Kong

KGI Capital Asia Limited
41st Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

(ii) any of the branches of the following receiving bank:

Any of the following branches of DBS Bank (Hong Kong) Limited:

<u>District</u>	<u>Branch name</u>	<u>Address</u>
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central, Central
	North Point Branch	G/F, 391 King's Road, North Point

HOW TO APPLY FOR PUBLIC OFFER SHARES

<u>District</u>	<u>Branch name</u>	<u>Address</u>
	Aberdeen Branch	Shops A & B, G/F, Units A & B, 1/F, On Tai Building, 1-3 Wu Nam Street, Aberdeen
Kowloon	Nathan Road – SME Banking Centre	2/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok
	Canton Road – DBS Treasures Centre	G/F, Hanley House, 68 Canton Road, Tsimshatsui
New Territories	Tuen Mun Town Plaza – SME Banking Centre	Shop 23, G/F, Tuen Mun Town Plaza (II), 3 Tuen Lung Street, Tuen Mun
	Kwai Chung Branch	G/F, 1001 Kwai Chung Road, Kwai Chung
	Shatin Plaza Branch	Shops 47-48, Level 1, Shatin Plaza, No. 21-27 Sha Tin Centre Street, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 June 2017 until 12:00 noon on Thursday, 6 July 2017 from the Depository Counter of **HKSCC** at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from 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 for the payment, and marked payable to "**Ting Hong Nominees Limited – M&L Holdings Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 30 June 2017	– 9:00 a.m. to 5:00 p.m.
Monday, 3 July 2017	– 9:00 a.m. to 5:00 p.m.
Tuesday, 4 July 2017	– 9:00 a.m. to 5:00 p.m.
Wednesday, 5 July 2017	– 9:00 a.m. to 5:00 p.m.
Thursday, 6 July 2017	– 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 6 July 2017, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- i. undertake to execute all relevant documents and instruct and authorise our Company and/or the Sponsor and/or the Joint Bookrunners (or their respective 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 Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- ii. agree to comply with the Companies Ordinance, the Companies Ordinance (Miscellaneous Provisions), the Memorandum and the Articles of Association;
- iii. confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- iv. confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- v. confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- vi. agree that none of our Company, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- vii. undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- viii. agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- ix. if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the

HOW TO APPLY FOR PUBLIC OFFER SHARES

Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- x. agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- xi. agree that your application will be governed by the laws of Hong Kong;
- xii. represent, warrant and undertake that (i) you understand that the Public 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 Public Offer Shares are outside the United States (as defined in Regulation S under the U.S. Securities Act) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act;
- xiii. warrant that the information you have provided is true and accurate;
- xiv. agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- xv. authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and 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 application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- xvi. declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- xvii. understand that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allocation of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- xviii. (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- xix. (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “2. Who can apply for the Public Offer Shares” section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website www.hkeipo.hk.

Detailed instruction for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 30 June, 2017 until 11:30 a.m. on Thursday, 6 July, 2017 and the latest time for completing full payment of application monies in respect of such application will be 12:00 noon on Thursday, 6 July, 2017 or such later time under the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Ordinance (Miscellaneous Provisions)

For the avoidance of doubt, the Company and 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 Ordinance (Miscellaneous Provisions) (as applied by Section 342E of the Companies Ordinance (Miscellaneous Provisions)).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F., One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form. 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 Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sponsor, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allocation of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise the Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that none of our Company, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable or before the fifth day after the time of opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before such fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance (Miscellaneous Provisions) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance (Miscellaneous Provisions) and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public 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 Public 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:

Friday, 30 June 2017 – 9:00 a.m. to 8:30 p.m.⁽¹⁾

Monday, 3 July 2017 – 8:00 a.m. to 8:30 p.m.⁽¹⁾

Tuesday, 4 July 2017 – 8:00 a.m. to 8:30 p.m.⁽¹⁾

Wednesday, 5 July 2017 – 8:00 a.m. to 8:30 p.m.⁽¹⁾

Thursday, 6 July 2017 – 8:00 a.m.⁽¹⁾ to 12:00 noon

HOW TO APPLY FOR PUBLIC OFFER SHARES

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 30 June 2017 until 12:00 noon on Thursday, 6 July 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 6 July 2017, the last application day or such later time as described in “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance (Miscellaneous Provisions)

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 Ordinance (Miscellaneous Provisions) (as applied by section 342E of the Companies Ordinance (Miscellaneous Provisions)).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such

HOW TO APPLY FOR PUBLIC OFFER SHARES

facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Joint Lead Managers, the Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or any person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 6 July 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box set out in 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 for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

HOW TO APPLY FOR PUBLIC OFFER SHARES

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the paragraph headed “Structure of the Share Offer – Pricing and Allocation – Price Payable on Application” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 6 July 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 Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 6 July 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 “Expected Timetable” in this prospectus, an announcement will be made in such event.

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11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 20 July 2017 on our Company's website at www.mleng.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.mleng.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 20 July 2017;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 9:00 a.m. on Thursday, 20 July 2017 to 12:00 midnight on Wednesday, 26 July 2017;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 20 July 2017 to Tuesday, 25 July 2017 (excluding Saturday, Sunday and public holidays in Hong Kong); and
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 20 July 2017 to Monday, 24 July 2017 at all the receiving bank's designated branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR PUBLIC OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

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 Ordinance (Miscellaneous Provisions) (as applied by section 342E of the Companies Ordinance (Miscellaneous Provisions)) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sponsor the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

HOW TO APPLY FOR PUBLIC OFFER SHARES

- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 15,000,000 of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, or not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.5 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee therein), or if the conditions of the Share Offer are not fulfilled in accordance with the paragraph headed "Structure of the Share Offer – Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 20 July 2017.

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14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by giving **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 Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified in the Application Form:

- for applications on **WHITE** Application Forms, Share certificate(s) for all the Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- for applications on all Application Forms, refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Thursday, 20 July 2017. The right is reserved to retain any Share certificate(s) and any application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates for the Offer Shares are expected to be issued on or before Thursday, 20 July 2017 but will only become valid at 8:00 a.m. on Friday, 21 July 2017 provided that the Share Offer has become unconditional and the right of termination under the Underwriting Agreement has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates for the Offer Shares or such Share certificates becoming valid do so entirely at their own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares on a **WHITE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from Hong Kong Branch 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 Thursday, 20 July 2017 or such other date as notified by us on the website of the Stock Exchange at www.hkexnews.hk.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 20 July 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 20 July 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 the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 20 July 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "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 Thursday, 20 July 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form Service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch 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 Thursday, 20 July 2017, or such other date as notified by our Company on the websites of the Stock Exchange at www.hkexnews.hk and of our Company at www.mleng.com as the 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 at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 20 July 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be 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 as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 20 July 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 number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "11. Publication of Results" above on Thursday, 20 July 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 20 July 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 Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 20 July 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 20 July 2017.

HOW TO APPLY FOR PUBLIC OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

30 June 2017

The Directors
M&L Holdings Group Limited

Investec Capital Asia Limited

Dear Sirs,

We report on the financial information of M&L Holdings Group Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at 31 December 2015 and 2016, the balance sheets of the Company as at 31 December 2015 and 2016, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows for the years ended 31 December 2015 and 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 30 June 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 24 September 2015 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1(b) of Section II headed "Group reorganisation" below, which was completed on 26 January 2016, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1(c) of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No statutory audited financial statements have been prepared by the Company as it has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The statutory audited financial statements of other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1(c) of Section II.

The directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSAAs”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

OPINION

In our opinion, the financial information gives, a true and fair view of the financial position of the Company as at 31 December 2015 and 2016 and of the financial position of the Group as at 31 December 2015 and 2016 and of the Group's financial performance and cash flows for the Relevant Periods.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2015 and 2016, and for each of the years ended 31 December 2015 and 2016 (the "Financial Information"), presented on the basis set out in Note 1(c) of Section II below.

(a) Consolidated statements of comprehensive income

	Note	Year ended 31 December	
		2015 HK\$'000	2016 HK\$'000
Revenue	5	310,098	247,348
Cost of sales	6	(235,746)	(174,078)
Gross profit		74,352	73,270
Other income	7	693	367
Other (losses)/gains, net	7	(72)	1,070
Selling expenses	6	(7,874)	(7,274)
Administrative expenses	6		
– Legal and professional fee for listing preparation		(4,494)	(3,605)
– Others		(27,572)	(36,000)
Operating profit		35,033	27,828
Finance income	10	26	14
Finance costs	10	(234)	(814)
Profit before income tax		34,825	27,028
Income tax expense	11	(7,494)	(4,972)
Profit for the year		27,331	22,056
Other comprehensive loss			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		(565)	(401)
Total comprehensive income		26,766	21,655
Profit for the year attributable to:			
Equity holders of the Company		26,436	21,150
Non-controlling interests		895	906
		27,331	22,056
Total comprehensive income attributable to:			
Equity holders of the Company		25,881	20,749
Non-controlling interests		885	906
		26,766	21,655
Earnings per share			
– Basic and diluted (expressed in HK\$ thousand per share) (Note)	12	2.78	2.12

Note: The earnings per share as presented above has not taken into account the proposed capitalisation issue pursuant to the shareholders' resolution dated 19 June 2017 (Note 34(i)) because the proposed capitalisation issue has not been effected as at the date of this report.

(b) Consolidated balance sheets

	<i>Note</i>	As at 31 December	
		2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Prepaid land premium	<i>13(a)</i>	5,415	5,195
Property, plant and equipment	<i>13(b)</i>	4,280	10,474
Investment properties	<i>14</i>	5,620	–
Deposits	<i>17</i>	359	288
Deferred income tax assets	<i>22</i>	58	40
		<u>15,732</u>	<u>15,997</u>
Current assets			
Inventories	<i>15</i>	38,916	29,586
Trade and other receivables	<i>17</i>	102,705	75,444
Tax recoverable		1,731	2,054
Pledged bank deposits	<i>18(a)</i>	2,528	2,532
Cash and cash equivalents	<i>18(b)</i>	63,951	44,357
		<u>209,831</u>	<u>153,973</u>
Assets held for sale	<i>19</i>	–	6,690
		<u>209,831</u>	<u>160,663</u>
Total assets		<u><u>225,563</u></u>	<u><u>176,660</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	<i>20</i>	–	–
Reserves	<i>21</i>	69,879	88,628
		<u>69,879</u>	<u>88,628</u>
Non-controlling interests		<u>2,277</u>	<u>2,857</u>
Total equity		<u><u>72,156</u></u>	<u><u>91,485</u></u>
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	<i>27(b)</i>	208	59
Bank borrowings	<i>27(a)</i>	4,947	–
Deferred income tax liabilities	<i>22</i>	475	859
Other provision		317	479
		<u>5,947</u>	<u>1,397</u>
Current liabilities			
Trade and other payables	<i>23</i>	79,272	50,622
Dividend payable	<i>24</i>	25,250	6,510
Amounts due to directors	<i>25</i>	6,232	5,685
Amount due to a related company	<i>26(a)</i>	7,872	–
Bank borrowings	<i>27(a)</i>	27,823	20,000
Finance lease liabilities	<i>27(b)</i>	244	113
Current income tax liabilities		767	848
		<u>147,460</u>	<u>83,778</u>
Total liabilities		<u>153,407</u>	<u>85,175</u>
Total equity and liabilities		<u><u>225,563</u></u>	<u><u>176,660</u></u>

(c) Balance sheets of the Company

	<i>Note</i>	As at 31 December	
		2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current asset			
Investments in subsidiaries	26(b)	—	69,314
		—	69,314
Current assets			
Prepayments for professional fee for listing preparation		1,136	2,366
Amount due from a subsidiary	26(c)	—	3,602
		1,136	5,968
Total assets		<u>1,136</u>	<u>75,282</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	20	—	—
Reserves	33	—	75,282
Total equity		<u>—</u>	<u>75,282</u>
LIABILITIES			
Current liability			
Amount due to a subsidiary	26(c)	1,136	—
Total liabilities		<u>1,136</u>	<u>—</u>
Total equity and liabilities		<u>1,136</u>	<u>75,282</u>

(d) Consolidated statements of changes in equity

	Attributable to equity holders of the Company					Total Equity HK\$'000
	Share capital HK\$'000	Reserves HK\$'000 (Note 21)	Share premium HK\$'000 (Note 21)	Total HK\$'000	Non- controlling interests HK\$'000	
At 1 January 2015	–	87,130	–	87,130	3,260	90,390
Comprehensive income:						
Profit for the year	–	26,436	–	26,436	895	27,331
Other comprehensive loss: Currency translation differences	–	(555)	–	(555)	(10)	(565)
Total comprehensive income for the year	–	25,881	–	25,881	885	26,766
Transactions with owners:						
Dividends declared to the then shareholders by group companies	–	(43,132)	–	(43,132)	(1,868)	(45,000)
At 31 December 2015	<u>–</u>	<u>69,879</u>	<u>–</u>	<u>69,879</u>	<u>2,277</u>	<u>72,156</u>
At 1 January 2016	–	69,879	–	69,879	2,277	72,156
Comprehensive income:						
Profit for the year	–	21,150	–	21,150	906	22,056
Other comprehensive loss: Currency translation differences	–	(401)	–	(401)	–	(401)
Total comprehensive income for the year	–	20,749	–	20,749	906	21,655
Transactions with owners:						
Proceeds from shares issued	–*	–	9,500	9,500	–	9,500
Dividends declared to equity holders of the Company	–	(11,500)	–	(11,500)	–	(11,500)
Dividends declared to non-controlling interests	–	–	–	–	(326)	(326)
At 31 December 2016	<u>–</u>	<u>79,128</u>	<u>9,500</u>	<u>88,628</u>	<u>2,857</u>	<u>91,485</u>

* On 26 January 2016, the Company issued 475 shares of HK\$0.01 each to an investor for a cash consideration of HK\$9,500,000.

(e) Consolidated statements of cash flows

	<i>Note</i>	Year ended 31 December	
		2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities			
Net cash generated from operations	28(a)	26,418	31,204
Interest received		26	10
Income tax paid		(9,750)	(4,754)
Net cash generated from operating activities		<u>16,694</u>	<u>26,460</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(833)	(7,136)
Proceeds from sale of property, plant and equipment	28(b)	<u>1</u>	<u>–</u>
Net cash used in investing activities		<u>(832)</u>	<u>(7,136)</u>
Cash flows from financing activities			
Proceeds from borrowings		25,000	6,000
Repayments of borrowings		(440)	(18,902)
Capital element of finance lease payments		(322)	(280)
Proceeds from issuance of ordinary shares		–	9,500
Legal and professional fee paid for listing preparation		(1,136)	(1,230)
Interest paid		(234)	(814)
Dividends paid		(25,567)	(30,566)
Advance from/(repayment to) a director		<u>8,841</u>	<u>(2,247)</u>
Net cash generated from/(used in) financing activities		<u>6,142</u>	<u>(38,539)</u>
Increase/(decrease) in cash and cash equivalents			
		22,004	(19,215)
Cash and cash equivalents at beginning of year		42,511	63,951
Currency translation differences		<u>(564)</u>	<u>(379)</u>
Cash and cash equivalents at end of year	18(b)	<u><u>63,951</u></u>	<u><u>44,357</u></u>

II NOTES TO THE FINANCIAL INFORMATION**1 GENERAL INFORMATION****(a) General information**

M&L Holdings Group Limited (the “Company”) was incorporated in the Cayman Islands on 24 September 2015 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company’s registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company is an investment holding company and its subsidiaries are principally engaged in trading and lease of construction machinery and spare parts (the “Listing Business”).

The ultimate holding company of the Company is JAT United Company Limited (“JAT”). The ultimate controlling party of the Group is Mr. Ng Lai Ming, who is also the executive director and chairman of the Board of the Company (the “Owner”).

(b) Group reorganisation

The Listing Business was primarily carried out by M&L Engineering & Materials Limited and its subsidiaries which include M&L China Engineering & Materials Limited and M&L Engineering Machinery (Shenzhen) Limited, East Focus Engineering Services Limited and M&L Engineering & Materials PTE Limited (the “Operating Companies”) and was managed by Mr. Ng Lai Ming, Mr. Timothy Ng and Mr. Cheung King. In preparation for the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Listing”), the Group underwent the reorganisation (the “Reorganisation”) to establish the Company as the holding company of the Listing Business. Details of the Reorganisation are set out as follows:

- (i) On 24 September 2015, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of US\$50,000 consisting of 5,000,000 ordinary shares of US\$0.01 each. As of the date of incorporation, one ordinary share of US\$0.01 was allotted and issued to and fully paid up by Reid Services Limited, the initial subscriber at its par value. On the same date, the one ordinary share of US\$0.01 was transferred to Mr. Ng Lai Ming. On 9 December 2015, the authorised share capital of the Company was changed to Hong Kong dollars in denomination and increased to HK\$380,000, consisting of 38,000,000 shares with par value of HK\$0.01 each. The one issued ordinary share denominated in US\$ was repurchased by the Company at its par value and all unissued share capital in US\$ were cancelled. On the same date, 10 ordinary shares were allotted and issued to Mr. Ng Lai Ming at par of HK\$0.01 each.
- (ii) M&L Pacific Group Limited, M&L Far East Group Limited and East Focus International Group Limited were incorporated in the BVI on 23 December 2015 as wholly-owned subsidiaries of the Company.
- (iii) On 25 January 2016, Mr. Ng Lai Ming and the Company entered into a sale and purchase agreement, pursuant to which Mr. Ng Lai Ming agreed to transfer the entire issued share capital of 50,000 shares of M&L Engineering & Materials PTE Limited to M&L Far East Group Limited for the issue and allotment of 459 shares of the Company credited as fully paid to Mr. Ng Lai Ming.
- (iv) On 25 January 2016, Mr. Ng Lai Ming, Mr. Cheung King and the Company entered into a sale and purchase agreement, pursuant to which Mr. Ng Lai Ming and Mr. Cheung King agreed to transfer 70,000 shares (being 70% of the entire issued share capital) and 30,000 shares (being 30% of the entire issued share capital) respectively of East Focus Engineering Services Limited to East Focus International Group Limited for the issue and allotment of 738 Shares and 318 shares credited as fully paid by the Company to Mr. Ng Lai Ming and Mr. Cheung King respectively.

- (v) On 25 January 2016, Mr. Ng Lai Ming, Mr. Timothy Ng and the Company entered into a sale and purchase agreement, pursuant to which Mr. Ng Lai Ming and Timothy Ng agreed to transfer 13,800,000 shares (being 92% of the entire issued share capital) and 500,000 shares (being 3.33% of the entire issued share capital) of M&L Engineering & Materials Limited to M&L Pacific Group Limited for the issue and allotment of 7,484 shares and 274 shares credited as fully paid by the Company to Mr. Ng Lai Ming and Mr. Timothy Ng respectively.
- (vi) On 25 January 2016, Mr. Timothy Ng, Mr. Cheung King and the Company entered into a sales and purchase agreement, pursuant to which each of Mr. Timothy Ng and Mr. Cheung King agreed to transfer 1,200 shares of M&L China Engineering & Materials Limited respectively (being 24% of the entire issued share capital in aggregate) to M&L Pacific Group Limited for the issue and allotment of 121 shares and 121 shares credited as fully paid by the Company to Mr. Timothy Ng and Mr. Cheung King respectively.

Upon the completion of the Reorganisation, the Company became the holding company of the other companies now comprising the Group.

(c) Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business has been conducted by the Operating Companies. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business. Accordingly, in accordance with the principles of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA, the Financial Information of the companies now comprising the Group is presented using the carrying values of the Listing Business for all periods presented.

Inter-company transactions, balances and unrealised gains/losses on transaction between listing group companies now comprising the Group are eliminated on consolidation.

Upon completion of the Reorganisation and as of the date of this report, the Company had direct and indirect interests in the following subsidiaries:

Company name	Place and date of incorporation	Issued and paid up capital	Effective equity interest held	Principal activities and place of operation	Auditors	Years of audit
M&L Pacific Group Limited*	British Virgin Islands, 23 December 2015	US\$1	100%	Investment holding in Hong Kong	NA	Note 2
M&L Far East Group Limited*	British Virgin Islands, 23 December 2015	US\$1	100%	Investment holding in Hong Kong	NA	Note 2
East Focus International Group Limited*	British Virgin Islands, 23 December 2015	US\$1	100%	Investment holding in Hong Kong	NA	Note 2
M&L Engineering & Materials Limited [#]	Hong Kong, 23 September 1994	HK\$15,000,000	95.33%	Trading and hiring of construction machinery and spare parts in Hong Kong	PricewaterhouseCoopers	Note 1, Note 3

Company name	Place and date of incorporation	Issued and paid up capital	Effective equity interest held	Principal activities and place of operation	Auditors	Years of audit
M&L China Engineering & Materials Limited [#]	Hong Kong, 2 March 2009	HK\$10,000	96.45%	Investment holding in Hong Kong	PricewaterhouseCoopers	<i>Note 1, Note 3</i>
M&L Engineering Machinery (Shenzhen) Limited [#]	The PRC, 3 July 2009	RMB500,000	96.45%	Trading and hiring of construction machinery and spare parts in the PRC	Shenzhen Pengfei Certified Public Accountants	<i>Note 1</i>
East Focus Engineering Services Limited [#]	Hong Kong, 31 October 1997	HK\$100,000	100%	Trading and hiring of construction machinery and spare parts in Hong Kong	PricewaterhouseCoopers	<i>Note 1, Note 3</i>
M&L Engineering & Materials PTE Limited [#]	Singapore, 10 March 2009	SG\$50,000	100%	Trading and hiring of construction machinery and spare parts in Singapore	C. N. Tiew & Co.	<i>Note 1</i>

* Equity interest directly held by the Company.

Equity interest indirectly held by the Company.

Note 1: For the years ended 31 December 2015 and 2016

Note 2: No audited financial statements have been prepared for these subsidiaries as there is no statutory requirement to issue statutory financial statements under their respective places of incorporation.

Note 3: The statutory financial statements of these subsidiaries for the year ended 31 December 2016 were yet issued as of date of this report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods, unless otherwise stated.

(a) Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of investment properties and assets held for sale, which are carried at fair values.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

The following new standard and amendments to standards are mandatory for accounting periods beginning on or after 1 January 2016:

HKFRS 14	Regulatory deferral accounts
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception
HKAS 16, 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation
HKAS 1 Amendment	Disclosure initiative
HKAS 16, 41 (Amendment)	Bearer plants
HKAS 27 (Amendment)	Equity method
Annual Improvements Project	Annual improvement 2012-2014 cycle

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKAS 7 (amendment)	Statement of cash flows – disclosure initiative	1 January 2017
HKAS 12 (amendment)	Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 12 (amendment)	Annual improvement 2014-2016 cycle	1 January 2017
HKAS 28 (amendment)	Annual improvement 2014-2016 cycle	1 January 2018
HKFRS 1 (amendment)	Annual improvement 2014-2016 cycle	1 January 2018
HKFRS 2 (amendment)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 (amendment)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10, HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration	1 January 2018

Management is in the process of assessing the impact of these new standards and amendments to standards and set out below are those that are expected to have impact on the Group's accounting policies.

(i) HKFRS 9 “Financial instrument”

HKFRS 9 “Financial instrument” addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in the other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets and financial liabilities.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets

classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 “*Revenue from Contracts with Customers*”, lease receivables, loan commitments and certain financial guarantee contracts. For trade receivables, contract assets and lease receivables, a simplified approach can be selected by the Group to measure the lifetime expected credit losses. Despite that the new impairment model may result in an earlier recognition of credit losses, based on management’s current assessment, the adoption of the new model is unlikely to have significant impact on the Group’s financial performance and position.

HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and the “hedged ratio” to be the same as that used by management for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39.

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group does not plan to early adopt this standard.

(ii) HKFRS 15 “Revenue from contracts with customers”

HKFRS 15 “Revenue from contracts with customers” replaces the previous revenue standards HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principal is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings processes” to an “asset-liability” approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligation are identified. The Group has assessed the impact of the adoption of HKFRS 15 and does not expect the adoption would have a material impact other than presenting more disclosures.

(iii) HKFRS 16 “Leases”

HKFRS 16 “Leases” addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the consolidated balance sheet for lessees. HKFRS 16 provides a new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated balance sheets. Instead, when the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group’s consolidated balance sheets. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation.

The Group is a lessee of various properties which are currently classified as operating leases. The Group’s current accounting policy for such leases is set out in Note 2(y) with the Group’s future operating lease commitments. As at 31 December 2016, the Group’s total operating lease commitments amounted to HK\$3,776,000. The new standard will therefore result in an increase in assets and financial liabilities in the Group’s consolidated balance sheets upon adoption. As for the financial performance impact in the Group’s consolidated statements of comprehensive income, straight-line depreciation expense on the right-of-use asset and the interest expenses on the lease liability are recognised and no rental expenses will be recognised. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the Group’s profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The Group has assessed the impact of the adoption of HKFRS 16 and does not expect the adoption would have a material impact on the Group’s financial results and position.

(b) Subsidiaries**(i) Consolidation**

A subsidiary is an entity (including a structured entity) over which the Group has the control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interests recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

(d) Foreign currency translation**(i) Functional and presentation currency**

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income.

Foreign exchange gains or losses that relate to borrowings and cash and cash equivalents are presented in consolidated statements of comprehensive income within 'administrative expenses'.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

(e) Property, plant and equipment

Buildings comprise mainly offices. All property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Motor vehicles classified as finance lease commences depreciation from the time when the assets become available for its intended use. Depreciation of property, plant and equipment is calculated using the straight line method to allocate their cost to their residual values over its estimated useful lives, as follows:

Plant and machinery	10% – 25%
Motor vehicles	25%
Motor vehicles under finance leases	25% or over the lease term, whichever is shorter
Furniture, fixtures and equipment	25%
Leasehold improvements	20% or over the lease term, whichever is shorter
Buildings	1.77% or over the lease term, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other (losses)/gains, net' in consolidated statements of comprehensive income.

(f) Prepaid land premium

Prepaid land premium is recorded at cost less subsequent accumulated amortisation and accumulated impairment losses, if any. Prepaid land premium is amortised using the straight-line method over their lease terms from 60 years.

(g) Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment property. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in consolidated statements of comprehensive income as part of a valuation gain or loss in 'other (losses)/gains, net'.

(h) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets**(i) Classification**

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'amount due from a director', 'pledged bank deposits' and 'cash and cash equivalents' in the consolidated balance sheets (Notes 2(m) and 2(n)).

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforce right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(k) Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(m) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2(i) for further information about the Group's accounting for trade receivables and Note 2(k) for a description of the Group's impairment policies.

(n) Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks.

(o) Assets held for sale

Non-current assets are reclassified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probably. They are stated at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in consolidated statements of comprehensive income as part of a valuation gain or loss in 'other (losses)/gains, net'.

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(q) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(s) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

(t) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(u) Employee benefits

The Group operates post-employment schemes, including defined contribution pension plans.

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time to leave.

(ii) Pension obligations

The Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (“MPF Scheme”) for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees’ relevant aggregate income up to a maximum of HK\$1,500 per employee per month. The assets of this pension scheme are held separately from those of the Group in independently administered funds. Other than the contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees in Hong Kong.

In accordance with the rules and regulations in People’s Republic of China (“the PRC”), the PRC based employees of the Group participate in a defined contribution retirement benefit plan organised by the relevant provincial government in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees’ salaries.

The provincial government undertakes to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plan described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government.

In accordance with the rules and regulations in Singapore, the Group makes contributions to the Central Provident Fund (CPF) for its employees in Singapore. CPF contributions are recognised as compensation expenses in the same period as employment that gives rise to the contributions.

The Group’s contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Bonus plans

The expected costs of bonus payment are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are measured at the amounts expected to be paid when they are settled.

(v) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Sales of goods revenue is recognised when the Group has transferred to the customer the significant risks and rewards of ownership of the goods, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products and collectibility of the related receivables is reasonably assured. Where customers are given the goods return options, the amount of options outstanding and the Group's accumulated experience with the customers in exercising such options are used to estimate and provide for return.

Rental income from machinery under operating lease is recognised on a straight-line basis over the terms of the relevant leases.

Rental income from investment properties under operating leases is recognised in the consolidated statements of comprehensive income on a straight-line basis over the terms of the relevant leases.

Freight income, commission income and repair and maintenance services income are recognised when services are rendered.

(x) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(y) Leases

(i) Operating lease – as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

(ii) Operating lease – as a lessor

When assets are leased out under an operating lease, the asset is included in the consolidated balance sheet based on the nature of the asset.

Lease income on operating leases is recognised in the consolidated statements of comprehensive income over the term of the lease on a straight-line basis.

(iii) Finance lease – as a lessee

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(z) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT**(a) Financial risk factors**

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, cash flow and fair value interest rate risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

The Group's major customers are from Hong Kong, the PRC and Singapore, and its major suppliers are from Italy, Korea, Singapore and the PRC. The Group is exposed to foreign currency exchange fluctuations mainly from exposures arising in the normal course of its business, primarily with respect to United States dollars ("US\$") and Euro ("EUR"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has a policy to require group companies to manage their foreign exchange risks against their respective functional currencies. It mainly includes managing the exposures arisen from sales and purchases made by relevant group companies in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign risk exposure.

At 31 December 2015 and 2016, if HK\$ had strengthened/weakened by 5% against the EUR with all other variables held constant, pre-tax profit for the year would have been approximately HK\$56,000 and HK\$356,000 respectively, lower/higher, mainly as a result of foreign exchange losses/gains on translation of EUR denominated trade receivables and payables and cash and cash equivalents.

Since the HK\$ is pegged with US\$, there are no significant foreign currency exposures for US\$ denominated financial assets and liabilities.

The remaining assets and liabilities of each company within the Group are mainly denominated in their respective functional currencies. The directors are of the opinion that the volatility of the Group's profits against changes in exchange rates of foreign currencies arising from these assets and liabilities would not be significant. Accordingly, no sensitivity analysis is performed.

(ii) Credit risk

Credit risk includes risks resulting from counter party default and risks of concentration. In respect of trade receivables, individual credit evaluations are performed on significant customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. In the opinion of the directors, the default risk is considered to be low.

Management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment provision is made for the irrecoverable amounts.

The credit risks on cash and cash equivalents and pledged deposits are limited because the counterparties are reputable and creditworthy banks.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(iii) Cash flow and fair value interest rate risk

Other than the bank borrowings which carry interest at prevailing market interest rates, the Group has no other significant interest-bearing assets or liabilities. Therefore, the interest rate risk mainly arises from interest-bearing bank borrowings.

However, the interest income and expenses derived therefrom are relatively insignificant to the Group's operations. Therefore, the Group's income and operating cash flows are less dependent on changes in market interest rates. Accordingly, the directors are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources and the availability of banking facilities to meet its financial commitments. In the opinion of the directors, the Group does not have any significant liquidity risk.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on undiscounted cash flows and the earliest date the Group can be required to pay. Specifically, for the bank borrowings which contains a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the borrowings with immediate effect. Balances due within 12 months equal their carrying balances (including both interest and principal) as the impact of discounting is not significant.

	On demand	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2015						
– Bank borrowings	27,883	361	360	1,082	4,507	34,193
– Finance lease liabilities	–	265	155	60	–	480
– Amounts due to directors	6,232	–	–	–	–	6,232
– Amount due to a related company	7,872	–	–	–	–	7,872
– Trade and other payables	–	78,799	–	–	–	78,799
– Dividend payable	–	25,250	–	–	–	25,250
	<u>41,987</u>	<u>104,675</u>	<u>515</u>	<u>1,142</u>	<u>4,507</u>	<u>152,826</u>
As at 31 December 2016						
– Bank borrowings	20,155	–	–	–	–	20,155
– Finance lease liabilities	–	119	60	–	–	179
– Amounts due to directors	5,685	–	–	–	–	5,685
– Trade and other payables	–	49,952	–	–	–	49,952
– Dividend payable	–	6,510	–	–	–	6,510
	<u>25,840</u>	<u>56,581</u>	<u>60</u>	<u>–</u>	<u>–</u>	<u>82,481</u>

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-asset ratio. The ratio is calculated as total debts divided by total assets. Total debts include interest-bearing borrowings, finance lease liabilities and advance from Mr. Ng Lai Ming.

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total debts	37,604	22,313
Total assets	225,563	176,660
Debt-to-asset ratio	16.7%	12.6%

(c) Fair value estimation

The carrying amounts of the Group's current financial assets, including trade and other receivables, amount due from a director, pledged bank deposits and cash and cash equivalents, and current financial liabilities, including trade and other payables, dividend payable, amounts due to directors, amount due to a related company, bank borrowings and finance lease liabilities, approximate their fair values as at the reporting date due to their short maturities. The nominal value less estimated credit adjustments for financial assets and liabilities with maturities of less than one year are assumed to approximate their fair values. The carrying value of non-current borrowing is assumed to approximate its fair value as the amount bears interest at commercial rate.

See Note 14 for disclosures of the investment properties that are measured at fair value and Note 19 for disclosures of assets held for sale that are measured at fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Provision for impairment of inventories

Significant judgement is exercised in the assessment of the net realisable value of its inventories. In making its judgement, management considers a wide range of factors such as results of sales performance subsequent to year end and market trend of its products.

(b) Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

(c) Estimate of fair value of investment properties

The fair value of investment properties are determined at the end of each reporting period by independent valuers based on an open market for existing use basis with reference to comparable market transactions. In making the judgment, consideration is given to the current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

(d) Impairment of trade and other receivables

Management reviews regularly the recoverable amount of each individual trade and other receivables to ensure that adequate impairment is made for the balances. Management assesses the recoverable amount of each individual receivable whether there is objective evidence that the receivables are impaired. This evidence may include

observable data indicating that there has been an adverse change in the payment status of the debtors and the local economic conditions that correlate with the potential risk of impairment on the transactions. Management reassesses the provision at each balance sheet date.

5 REVENUE AND SEGMENT INFORMATION

	Year ended 31 December	
	2015 HK\$'000	2016 HK\$'000
Sales of goods	301,947	237,012
Repair and maintenance services income	5,225	9,889
Machinery rental income	2,926	447
	<u>310,098</u>	<u>247,348</u>

The executive directors considered the nature of the Group's business and determined that the Group has two reportable operating segments as follows:

- (i) Tunnelling – Supply of specialised cutting tools and parts for construction equipment
- (ii) Foundation – Supply of fabricated construction steel works and equipment

The executive directors assess the performance of the operating segments based on revenue and gross profit margin of each segment. As the Group's resources are integrated and there are no discrete operating segment assets and liabilities for the tunnelling and foundation business segments reported to the chief operating decision maker, accordingly, no operating segment assets and liabilities are presented.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2015 and 2016. The accounting policies of the reportable segments are the same as the Group's accounting policies.

- (a) The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2015 is as follows:

	Tunnelling HK\$'000	Foundation HK\$'000	Total HK\$'000
Segment revenue (all from external customers)	297,668	12,430	310,098
Cost of sales	<u>(225,545)</u>	<u>(10,201)</u>	<u>(235,746)</u>
Segment results	72,123	2,229	74,352
Gross profit %	<u>24.23%</u>	<u>17.93%</u>	<u>23.98%</u>
Other income			693
Other losses			(72)
Selling expenses			(7,874)
Administrative expenses			<u>(32,066)</u>
Operating profit			35,033
Finance income			26
Finance costs			<u>(234)</u>
Profit before income tax			34,825
Income tax expense			<u>(7,494)</u>
Profit for the year			<u>27,331</u>

- (b) The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2016 is as follows:

	Tunnelling <i>HK\$'000</i>	Foundation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue (all from external customers)	233,457	13,891	247,348
Cost of sales	<u>(163,939)</u>	<u>(10,139)</u>	<u>(174,078)</u>
Segment results	69,518	3,752	73,270
Gross profit %	<u>29.78%</u>	<u>27.01%</u>	<u>29.62%</u>
Other income			367
Other gains			1,070
Selling expenses			(7,274)
Administrative expenses			<u>(39,605)</u>
Operating profit			27,828
Finance income			14
Finance costs			<u>(814)</u>
Profit before income tax			27,028
Income tax expense			<u>(4,972)</u>
Profit for the year			<u><u>22,056</u></u>

- (c) Revenue from external customers by customer location are as follows:

	Year ended 31 December	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	142,030	82,334
The PRC	103,273	109,890
Singapore	63,088	55,124
Other countries	<u>1,707</u>	<u>–</u>
	<u><u>310,098</u></u>	<u><u>247,348</u></u>

- (d) The total amounts of non-current assets, other than financial instruments and deferred income tax assets of the Group as at 31 December 2015 and 2016 are located in the following regions:

	As at 31 December	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	6,835	7,581
The PRC	2	7
Singapore	<u>8,478</u>	<u>8,081</u>
	<u><u>15,315</u></u>	<u><u>15,669</u></u>

- (e) Certain customers contributed more than 10% of the total sales of the Group during the years ended 31 December 2015 and 2016. The amount of sales to these customers are disclosed as follows:

	Year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
Customer A	42,726	75,818
Customer B	116,623	69,988
Customer C	N/A	25,219
Customer D	36,237	N/A

N/A: The revenue of the particular customer for the particular year is less than 10% of the Group's revenue for that year.

6 EXPENSES BY NATURE

	Year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
Cost of inventories sold	232,462	172,193
Employee benefit expenses (<i>Note 8</i>)	16,738	21,059
Depreciation (<i>Note 13(b)</i>)	879	877
Amortisation (<i>Note 13(a)</i>)	101	101
Machine rental expenses	2,453	350
Freight charge	4,626	4,241
Legal and professional fee for listing preparation	4,494	3,605
Auditors' remuneration		
– Audit services	326	268
– Non-audit services	36	40
Operating lease charges on land and buildings	2,140	2,537
Exchange losses	1,735	2,533
Provision for impairment of trade receivables (<i>Note 17</i>)	1,285	3,893
Entertainment expenses	1,549	1,664
Travelling expense	1,637	1,372
Advertising expenses	646	137
Motor vehicle expenses	972	1,044
Others	3,607	5,043
Total cost of sales, selling expenses and administrative expenses	275,686	220,957

7 OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	Year ended 31 December	
	2015 HK\$'000	2016 HK\$'000
Other income		
Other rental income	443	52
Others	250	315
	<u>693</u>	<u>367</u>
Other (losses)/gains, net		
Loss from fair value adjustment on investment properties	(60)	–
Gain from fair value adjustment on assets held for sale	–	1,070
Loss from disposal of property, plant and equipment	(12)	–
	<u>(72)</u>	<u>1,070</u>

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Year ended 31 December	
	2015 HK\$'000	2016 HK\$'000
Salaries, wages and other benefits	16,058	20,069
Pension costs – defined contribution plans	680	990
	<u>16,738</u>	<u>21,059</u>

9 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' emoluments

The remuneration of the directors of the Company paid and payable by the Group for the years ended 31 December 2015 and 2016 are set out below:

The remuneration of the directors for the year ended 31 December 2015 is set out below:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Inducement fees HK\$'000	Other benefits (v) HK\$'000	Employer's contribution to pension scheme HK\$'000	Compensation for loss of office as director HK\$'000	Total HK\$'000
Executive directors:								
Mr. Ng Lai Ming (i)	150	1,057	–	–	–	18	–	1,225
Mr. Ng Lai Tong (ii)	–	825	–	–	1,000	18	–	1,843
Mr. Ng Lai Po (ii), (iii)	–	178	14	–	–	3	–	195
Mr. Cheung King (ii)	–	856	–	–	850	18	–	1,724

The remuneration of the directors for the year ended 31 December 2016 is set out below:

Name	Fees		Discretionary bonuses	Inducement fees	Other benefits (v)	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
	HK\$'000	HK\$'000						
Executive directors:								
Mr. Ng Lai Ming (i)	163	923	-	-	-	18	-	1,104
Mr. Ng Lai Tong (ii)	-	858	-	-	1,333	18	-	2,209
Mr. Ng Lai Po (ii), (iii)	-	878	-	-	-	18	-	896
Mr. Cheung King (ii)	-	891	-	-	361	18	-	1,270

Notes:

- (i) Mr. Ng Lai Ming was appointed as executive director and the chief executive officer ("CEO") of the Company on 24 September 2015.
- (ii) Mr. Ng Lai Tong, Mr. Ng Lai Po, and Mr. Cheung King were appointed as executive directors of the Company on 6 January 2017.
- (iii) Mr. Ng Lai Po was also an employee of companies within the Group and the Group paid employee benefits to him before his respective appointment of directorship during the Relevant Periods.
- (iv) Mr. Tai Wai Kwok, Mr. Lo Kok Keung, and Mr. Lau Chi Leung were appointed as independent non-executive directors of the Company on 19 June 2017.
- (v) Other benefits represented sales commission.
- (vi) During the Relevant Periods, no directors waived or agreed to waive any emoluments.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31 December 2015 and 2016.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 December 2015 and 2016.

(d) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2015 and 2016, the Group did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the years ended 31 December 2015 and 2016, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly; subsisted at the end of the year or at any time during the years ended 31 December 2015 and 2016.

(g) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group include 3 and 4 directors for the years ended 31 December 2015 and 2016 respectively, whose remuneration are reflected in the analysis presented in Note 9(a) above.

The remuneration paid to the remaining 2 and 1 individuals are as follows:

	Year ended 31 December	
	2015 HK\$'000	2016 HK\$'000
Salaries, wages and other benefits	1,839	763
Pension costs – defined contribution plan	36	97
	<u>1,875</u>	<u>860</u>

The remuneration fell within the following bands:

Remuneration bands	Number of individual Year ended 31 December	
	2015	2016
Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	1	–
	<u>2</u>	<u>1</u>

10 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2015 HK\$'000	2016 HK\$'000
Finance income on:		
– Bank deposits	<u>26</u>	<u>14</u>
Finance costs on:		
– Bank borrowings	196	796
– Finance lease liabilities	38	18
	<u>234</u>	<u>814</u>

11 INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Islands and British Virgin Islands. Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the years ended 31 December 2015 and 2016. Mainland China corporate income tax has been provided for at the rate of 25% on the estimated assessable profits for the Group's operations in Mainland China for the years ended 31 December 2015 and 2016. Singapore corporate income tax has been provided for at the rate of 17% on the estimated assessable profit for the Group's operations in Singapore for the years ended 31 December 2015 and 2016.

	Year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
Current taxation		
– Hong Kong profits tax	5,452	3,665
– Mainland China corporate income tax	997	–
– Taxation on overseas profits	811	900
Deferred income tax (<i>Note 22</i>)	234	407
	<u>7,494</u>	<u>4,972</u>
Income tax expense	<u>7,494</u>	<u>4,972</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
Profit before income tax	<u>34,825</u>	<u>27,028</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	6,673	4,096
Income not subject to tax	(14)	(224)
Expenses not deductible for tax purposes	997	1,686
Tax losses for which no deferred income tax asset was recognised	–	190
Provision for/(write-back of) withholding tax on undistributed earnings of subsidiaries	136	(383)
Overprovision in prior year	–	(95)
Tax concession	(298)	(298)
	<u>7,494</u>	<u>4,972</u>
Income tax expense	<u>7,494</u>	<u>4,972</u>

The weighted average applicable tax rate was 19.2% and 15.2% for the years ended 31 December 2015 and 2016 respectively.

12 EARNINGS PER SHARE**(a) Basic**

The basic earnings per share is calculated on the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2015 and 2016. In determining the weighted average number of ordinary shares in issue, the 9,525 shares issued during the Reorganisation as detailed in note 1(b) were deemed to have been in issue since 1 January 2015.

	Year ended 31 December	
	2015	2016
Profit attributable to equity holders of the Company (HK\$'000)	26,436	21,150
Weighted average number of shares in issue	9,525	9,966
Basic earnings per share (expressed in HK\$ thousand per share)	2.78	2.12

Note: The earnings per share as presented above has not taken into account the proposed capitalisation issue pursuant to the shareholders' resolution dated 19 June 2017 (Note 34(i)) because the proposed capitalisation issue has not been effected as at the date of this report.

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the years ended 31 December 2015 and 2016.

13 PREPAID LAND PREMIUM AND PROPERTY, PLANT AND EQUIPMENT**(a) Prepaid land premium**

The Group's prepaid land premium represents prepaid operating lease payments for the use of land relating to a property owned by the Group located in Singapore and their net book amounts are analysed as follows:

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net book amount	5,907	5,415
Amortisation of prepaid land premium	(101)	(101)
Exchange difference	(391)	(119)
Closing net book amount	5,415	5,195

All amortisation expenses for the years ended 31 December 2015 and 2016 have been recorded in administrative expenses.

The prepaid land premium was pledged as security for certain of the Group's banking facilities as at 31 December 2015 (Note 27(c)). As at 31 December 2016, no land was pledged as security for any of the Group's banking facilities.

(b) Property, plant and equipment

	Building <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Leasehold Improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2015						
Opening net book amount	2,719	204	267	334	1,046	4,570
Additions	–	269	297	157	110	833
Disposals (<i>Note 28(b)</i>)	–	–	–	–	(13)	(13)
Depreciation	(46)	(70)	(99)	(219)	(445)	(879)
Exchange difference	(181)	(15)	–	(7)	(28)	(231)
Closing net book amount	<u>2,492</u>	<u>388</u>	<u>465</u>	<u>265</u>	<u>670</u>	<u>4,280</u>
At 31 December 2015						
Cost	2,560	3,401	783	1,064	3,864	11,672
Accumulated depreciation	(68)	(3,013)	(318)	(799)	(3,194)	(7,392)
Net book amount	<u>2,492</u>	<u>388</u>	<u>465</u>	<u>265</u>	<u>670</u>	<u>4,280</u>
Year ended 31 December 2016						
Opening net book amount	2,492	388	465	265	670	4,280
Additions	–	7,046	40	50	–	7,136
Depreciation	(46)	(180)	(150)	(159)	(342)	(877)
Exchange difference	(55)	(7)	–	(2)	(1)	(65)
Closing net book amount	<u>2,391</u>	<u>7,247</u>	<u>355</u>	<u>154</u>	<u>327</u>	<u>10,474</u>
At 31 December 2016						
Cost	2,501	10,438	822	1,068	3,844	18,673
Accumulated depreciation	(110)	(3,191)	(467)	(914)	(3,517)	(8,199)
Net book amount	<u>2,391</u>	<u>7,247</u>	<u>355</u>	<u>154</u>	<u>327</u>	<u>10,474</u>

Depreciation expenses of HK\$879,000, HK\$877,000 for the years ended 31 December 2015 and 2016 respectively, have been recorded in administrative expenses.

The Group's building is located in Singapore. The building was pledged as security for certain of the Group's banking facilities as at 31 December 2015 (*Note 27(c)*). As at 31 December 2016, no building was pledged as security for any of the Group's banking facilities.

Motor vehicles include the following amounts where the Group is a lessee under finance leases:

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost – capitalised finance leases	1,289	546
Accumulated depreciation	(1,148)	(546)
Net book amount	<u>141</u>	<u>–</u>

The Group leases various motor vehicles under non-cancellable finance lease agreements. The lease terms are between 4.5 and 5 years, and ownership of the assets lie within the Group.

14 INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At fair value	
At 1 January 2015	5,680
Loss from fair value adjustment	(60)
At 31 December 2015	5,620
At 1 January 2016	5,620
Transfer to assets held for sale (<i>Note 19</i>)	(5,620)
At 31 December 2016	–

Amounts recognised in profit and loss for investment properties

	Year ended 31 December	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Rental income	295	52
Other direct operating expenses from property that generated rental income	(27)	(27)
	268	25

The Group's investment properties were valued at 31 December 2015 and 2016 by Asset Appraisal Limited, an independent professionally qualified valuer who holds a recognised professional qualification and has recent experience in the locations and segments of the investment properties valued. The revaluation gains or losses are included in 'Other (losses)/gains, net' in the consolidated statements of comprehensive income. Investment properties were valued by direct comparison method where comparison is made based on prices realised or market prices of comparable properties. Comparable properties of similar size, character and location are carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

The Group's investment properties are located in Hong Kong and measured at fair value using significant unobservable inputs (Level 3 under HKFRS 13). There were no transfers between Levels 1, 2 and 3 during the Relevant Periods.

Description	Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
Industrial buildings	Age of property	0.5% price adjustment per year	The older the property, the lower the fair value
	Size of property	9.75% price adjustment per 10% increase in area of property	The larger the property, the higher the fair value
	Storey	0.5% price adjustment per each storey	The higher the storey, the lower the fair value

	Year ended 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under other (losses)/gains, net'	(60)	–
Change in unrealised (losses)/gains for the year included in profit or loss for assets held at the end of the year	(60)	–

The Group's finance department reviews the valuation performed by the independent valuer for financial reporting purpose.

At each financial year end, finance department

- verifies all major inputs to the independent valuation report;
- assess property valuations movements when compared to the prior year valuation report; and
- holds discussion with the independent valuer.

The investment properties with carrying amount of HK\$5,620,000 as at 31 December 2015 were pledged against certain of the Group's borrowings (Note 27(c)). As at 31 December 2016, the borrowings were repaid and no investment properties were pledged against the borrowings.

15 INVENTORIES

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Merchandise	38,916	29,586

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK\$232,462,000 and HK\$172,193,000 for the years ended 31 December 2015 and 2016, respectively.

16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial instruments include the following:

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
Financial assets:		
Loans and receivables:		
Trade and other receivables	101,576	72,579
Pledged bank deposits	2,528	2,532
Cash and cash equivalents	63,951	44,357
	<u>168,055</u>	<u>119,468</u>
Financial liabilities:		
Financial liabilities at amortised cost:		
Trade and other payables	78,799	49,952
Amounts due to directors	6,232	5,685
Amount due to a related company	7,872	–
Bank borrowings	32,770	20,000
Finance lease liabilities	452	172
Dividend payable	25,250	6,510
	<u>151,375</u>	<u>82,319</u>

17 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
Trade receivables	102,454	79,639
Less: allowance for impairment of trade receivables	<u>(6,280)</u>	<u>(9,289)</u>
Trade receivables – net	96,174	70,350
Bills receivables	4,366	1,334
Prepayments		
– Professional fee for listing preparation	1,136	2,366
– Others	170	479
Trade deposits paid	182	10
Deposits paid	731	867
Other receivables	305	326
	<u>103,064</u>	<u>75,732</u>
Less: Non-current portion deposits	<u>(359)</u>	<u>(288)</u>
	<u>102,705</u>	<u>75,444</u>

The credit terms granted by the Group generally ranged up to 180 days. The ageing analysis of these trade receivables based on invoice date is as follows:

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
0 to 30 days	28,907	24,971
31 to 60 days	21,060	11,252
61 to 90 days	16,426	4,541
91 to 180 days	13,702	10,131
181 to 365 days	8,572	7,231
1 to 2 years	6,050	11,553
Over 2 years	1,457	671
	<u>96,174</u>	<u>70,350</u>

As at 31 December 2015 and 2016, trade receivables of HK\$59,597,000 and HK\$49,734,000 respectively were past due but not impaired. The ageing analysis of these trade receivables based on due date is as follows:

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
Neither past due nor impaired	36,577	20,616
Past due but not impaired:		
– Less than 3 months	41,431	23,174
– 3 to 6 months	6,657	11,637
– 6 months to 1 year	8,724	6,102
– 1 to 2 years	1,780	8,150
– More than 2 years	1,005	671
	<u>96,174</u>	<u>70,350</u>

Long aged receivables that were past due but not impaired relate to customers who have no recent history of default and based on past experience, settlement record and recent correspondence with the customers, the directors expect the overdue amounts to be recoverable.

The carrying amounts of trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
Renminbi	38,072	36,972
Euro	40,572	23,358
HK dollar	21,941	13,750
Singapore dollar	1,895	1,652
United States dollar	402	–
Other currencies	182	–
	<u>103,064</u>	<u>75,732</u>

Movements on the Group's allowance for impairment of trade receivables are as follows:

	<i>HK\$'000</i>
At 1 January 2015	5,193
Provision for impairment	1,285
Exchange difference	(198)
	<hr/>
At 31 December 2015	6,280
Provision for impairment	3,893
Written off during the year as uncollectible	(435)
Exchange difference	(449)
	<hr/>
At 31 December 2016	<u>9,289</u>

The provision for and reversal of provision for impaired receivables has been included in administrative expenses in the consolidated statements of comprehensive income. Impaired trade receivables previously provided for are written off when there is no expectation of recovery.

The carrying amounts of bills receivables approximate their fair values due to their short maturity. As at 31 December 2015 and 2016, all the bills receivable represent bank acceptance notes issued by third parties with average maturity of within 173 days and 102 days respectively, which are denominated in Renminbi.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

18 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Pledged bank deposits

As at 31 December 2015 and 2016, fixed deposits of HK\$2,528,000 and HK\$2,532,000 respectively are denominated in HK\$ and are pledged to a bank for securing certain general banking facilities granted to the Group (Note 27(c)).

(b) Cash and cash equivalents

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at banks and on hand	<u>63,951</u>	<u>44,357</u>

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Renminbi	1,072	2,470
Euro	27,395	15,370
HK dollar	30,258	18,454
Singapore dollar	2,779	6,182
United States dollar	2,218	1,718
Other currencies	229	163
	<hr/>	<hr/>
	<u>63,951</u>	<u>44,357</u>

As at 31 December 2015 and 2016, cash and cash equivalents of approximately HK\$970,000 and HK\$2,373,000 respectively are denominated in Renminbi and deposited with banks in Mainland China. Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currencies and remittance of Renminbi out of Mainland China is subject to the rules and regulations of exchange control promulgated by the government of the PRC.

19 ASSETS HELD FOR SALE

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
At the beginning of the year	–	–
Transfer from investment properties (<i>Note 14</i>)	–	5,620
Gain from fair value adjustment	–	1,070
	<u>–</u>	<u>1,070</u>
At the end of the year	<u>–</u>	<u>6,690</u>

On 30 November 2016, the Group entered into provisional agreements for sales and purchases with independent third parties pursuant to which the Group disposed of these investment properties to the independent third parties, at a total cash consideration of HK\$6,702,000, net of commission fees of HK\$67,000. Accordingly, the investment properties were reclassified as assets held for sale as at 31 December 2016.

The fair value of assets held for sale is HK\$6,690,000 as at 31 December 2016 (2015: nil). The fair value of investment properties was based on the valuation performed by independent external valuers. Details of the valuers, valuation techniques and key inputs were set out in Note 14.

The disposals were completed on 28 February 2017.

20 SHARE CAPITAL – GROUP AND COMPANY

Before alteration of denomination currency of authorised share capital

	Number of ordinary shares	Share capital US\$
Authorised:		
Ordinary share of US\$0.01 each at 24 September 2015 (date of incorporation of the Company)	<u>5,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 24 September 2015 (date of incorporation of the Company)	<u>1</u>	<u>0.01</u>

After alteration of denomination currency of authorised share capital

	Number of ordinary shares	Share capital HK\$
Authorised:		
Ordinary share of HK\$0.01 each at 9 December 2015, 31 December 2015 and 2016	38,000,000	380,000
Issued and fully paid:		
At 9 December 2015 and 31 December 2015	10	0.1
Issuance of shares arising from Reorganisation	9,515	95.15
Issuance of shares to an investor	475	4.75
At 31 December 2016	10,000	100

21 RESERVES AND SHARE PREMIUM

	Capital reserve HK\$'000 (note (a))	Statutory reserve HK\$'000	Translation reserve HK\$'000	Share premium HK\$'000 (note (b))	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 January 2015	15,642	285	22	–	71,181	87,130
Comprehensive income:						
Profit for the year	–	–	–	–	26,436	26,436
Currency translation difference	–	–	(555)	–	–	(555)
Transactions with owners:						
Transfer to statutory reserve	–	151	–	–	(151)	–
Dividends declared to the then shareholders by group companies	–	–	–	–	(43,132)	(43,132)
Balance at 31 December 2015	<u>15,642</u>	<u>436</u>	<u>(533)</u>	<u>–</u>	<u>54,334</u>	<u>69,879</u>
Balance at 1 January 2016	15,642	436	(533)	–	54,334	69,879
Comprehensive income:						
Profit for the year	–	–	–	–	21,150	21,150
Currency translation difference	–	–	(401)	–	–	(401)
Transactions with owners:						
Proceeds from shares issued	–	–	–	9,500	–	9,500
Dividends declared to equity holders of the Company	–	–	–	–	(11,500)	(11,500)
Balance at 31 December 2016	<u>15,642</u>	<u>436</u>	<u>(934)</u>	<u>9,500</u>	<u>63,984</u>	<u>88,628</u>

Notes:

- (a) Capital reserve of HK\$15,642,000 as at 31 December 2015 and 2016 included:
- reserve of HK\$989,000, representing difference between the fair value of the consideration paid and the carrying amount of net assets attributable to the additional interest in a group of subsidiaries being acquired from non-controlling interests on 12 September 2013; and
 - reserve of HK\$14,653,000, representing difference between the carrying value of the subsidiaries acquired pursuant to the Reorganisation as stated in Note 1(b) over the nominal value of the share capital of the Company issued in exchange thereof.
- (b) Share premium of HK\$9,500,000 was recognised upon issuance and allotment of shares to Mr. Yeung Shiu Kin Eddie on 26 January 2016.

22 DEFERRED INCOME TAX LIABILITIES/(ASSETS)

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred income tax assets:		
– To be recovered after more than 12 months	(58)	(40)
Deferred income tax liabilities:		
– To be settled after more than 12 months	475	859
Deferred income tax liabilities, net	<u>417</u>	<u>819</u>

The net movement on the deferred income tax account is as follows:

	<i>HK\$'000</i>
At 1 January 2015	199
Charged to profit or loss	234
Exchange difference	(16)
At 31 December 2015	417
Charged to profit or loss	407
Exchange difference	(5)
At 31 December 2016	<u>819</u>

The movement in deferred income tax assets and liabilities during the years ended 31 December 2015 and 2016, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Decelerated depreciation allowances <i>HK\$'000</i>	Unrealised profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
Deferred income tax assets			
At 1 January 2015	56	65	121
Charged to profit or loss	(56)	(7)	(63)
At 31 December 2015	–	58	58
Charged to profit or loss	–	(18)	(18)
At 31 December 2016	–	40	40

The Group did not recognise deferred income tax assets of HK\$190,000 (2015: nil) in respect of tax losses amounted to HK\$761,000 (2015: nil) that can be carried forward against future taxable income arising from the PRC subsidiary. Tax losses of the PRC subsidiary amounting to HK\$761,000 will expire in 2022 (2015: nil).

	Accelerated depreciation allowances <i>HK\$'000</i>	Withholding tax <i>HK\$'000</i>	Total <i>HK\$'000</i>
Deferred income tax liabilities			
At 1 January 2015	52	268	320
Charged to profit or loss	35	136	171
Exchange difference	–	(16)	(16)
At 31 December 2015	87	388	475
Charged/(credited) to profit or loss	772	(383)	389
Exchange difference	–	(5)	(5)
At 31 December 2016	859	–	859

Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on dividends declared in respect of profits earned by subsidiaries established in the PRC from 1 January 2008 onwards.

23 TRADE AND OTHER PAYABLES

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
Trade payables	74,834	45,129
Trade deposits received	254	–
Accrued expenses	3,327	4,823
Other payables	857	670
	<u>79,272</u>	<u>50,622</u>

(a) The carrying amounts of trade and other payables approximate their fair values as at 31 December 2015 and 2016.

(b) The ageing analysis of trade payables based on invoice date is as follows:

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
0 – 30 days	17,766	8,124
31 – 60 days	23,401	18,731
61 – 90 days	13,916	12,070
91 – 120 days	17,705	3,024
Over 120 days	2,046	3,180
	<u>74,834</u>	<u>45,129</u>

(c) The carrying amounts of trade and other payables are denominated in the following currencies:

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
Euro	66,839	31,617
HK dollar	11,086	10,918
Renminbi	478	7,235
Other currencies	869	852
	<u>79,272</u>	<u>50,622</u>

24 DIVIDEND PAYABLE

The amount is unsecured, interest-free, repayable on demand and denominated in HK\$. Its carrying amount at 31 December 2015 and 2016 approximates its fair value.

Dividend amounting to HK\$6,183,000 and HK\$6,510,000 is payable to a non-controlling shareholder of a company now comprising the Group, Genghiskhan Land Holdings Limited (“Genghiskhan”) as at 31 December 2015 and 2016 respectively. Genghiskhan was struck off from the Register of Companies of the BVI on 30 April 1998 and subsequently dissolved on 30 April 2008. If Genghiskhan remains dissolved continuously for a period of 10 years from 30 April 2008 (i.e. on 29 April 2018), it cannot be restored and the corresponding dividend payable would be written back.

25 AMOUNTS DUE FROM A DIRECTOR/(TO) DIRECTORS

The amounts are unsecured, interest-free and repayable on demand. Their carrying amounts as at 31 December 2015 and 2016 approximate their fair values. Further information on amounts due from a director/(to) directors is shown as below:

	Maximum balance outstanding during the year ended 31 December		As at 31 December	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount due from:				
– Mr. Ng Lai Ming	29,154	96	–	–
	<u>29,154</u>	<u>96</u>	<u>–</u>	<u>–</u>
Amounts due to:				
– Mr. Ng Lai Tong			(1,000)	(2,333)
– Mr. Cheung King			(850)	(1,211)
Advance from:				
– Mr. Ng Lai Ming			(4,382)	(2,141)
			<u>(4,382)</u>	<u>(2,141)</u>
			<u>(6,232)</u>	<u>(5,685)</u>

The balances due from a director/(to) directors were fully settled on before or upon listing. The balance due from a director was of non-trade nature.

The carrying amounts of the amounts due to directors are denominated in the following currencies:

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
HK dollar	1,850	3,544
Singapore dollar	4,382	2,141
	<u>6,232</u>	<u>5,685</u>

26 AMOUNT DUE TO A RELATED COMPANY, INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) A SUBSIDIARY**(a) Amount due to a related company – Group**

The balance is unsecured, interest-free, repayable on demand, and denominated in Renminbi. Its carrying amount as at 31 December 2015 and 2016 approximates its fair value.

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
Amount due to a related company:		
– 佛山市龐萬力隧道設備有限公司(Palmieri Foshan Tunneling Equipment Ltd.*) (“Palmieri (China)”) (Note 32)	7,872	–
	<u>7,872</u>	<u>–</u>

* for identification purpose only

(b) Investments in subsidiaries – Company

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
Investments, at cost:		
Unlisted shares	–	69,314
	<u>–</u>	<u>69,314</u>

Details of the subsidiaries are set out in Note 1(c).

(c) Amounts due from/(to) a subsidiary – Company

The balances are unsecured, interest-free, repayable on demand, and denominated in Hong Kong Dollar. Their carrying amounts as at 31 December 2015 and 2016 approximate their fair values.

27 BORROWINGS

	As at 31 December	
	2015 HK\$'000	2016 HK\$'000
Non-current		
Secured bank loans (a)	4,947	–
Finance lease liabilities (b)	208	59
	<u>5,155</u>	<u>59</u>
Current		
Secured bank loans (a)	2,823	–
Unsecured bank loans (a)	25,000	20,000
Finance lease liabilities (b)	244	113
	<u>28,067</u>	<u>20,113</u>
Total	<u><u>33,222</u></u>	<u><u>20,172</u></u>

(a) Bank loans

	As at 31 December	
	2015 HK\$'000	2016 HK\$'000
Current liabilities		
Portion of secured bank loans due for repayment within one year	244	–
Portion of bank loans due for repayment within one year which contain a repayment on demand clause		
– secured	187	–
– unsecured	25,000	20,000
Portion of secured bank loans due for repayment after one year which contain a repayment on demand clause	2,392	–
	<u>27,823</u>	<u>20,000</u>
Non-current liability		
Portion of secured bank loans due for repayment after one year	4,947	–
	<u>32,770</u>	<u>20,000</u>

The amounts due based on scheduled repayment dates as stipulated in the respective loan agreements, disregarding the effect of any repayment on demand clause, are as follows:

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	25,431	20,000
Between 1 and 2 years	440	–
Between 2 and 5 years	1,385	–
Over 5 years	5,514	–
	<u>32,770</u>	<u>20,000</u>

(b) Finance lease liabilities

The finance lease liabilities were repayable as follows:

	Minimum lease payments	
	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
No later than 1 year	265	119
Later than 1 year and no later than 5 years	215	60
	<u>480</u>	<u>179</u>
Future finance charges on finance leases	(28)	(7)
	<u>452</u>	<u>172</u>

The present value of finance lease liabilities is as follows:

No later than 1 year	244	113
Later than 1 year and no later than 5 years	208	59
	<u>452</u>	<u>172</u>

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default.

(c) Banking facilities

The Group has obtained total banking facilities from banks of approximately HK\$49,470,000 and HK\$37,000,000 as at 31 December 2015 and 2016 respectively, of which HK\$16,700,000 and HK\$17,000,000 as at 31 December 2015 and 2016 has not been utilised respectively.

The above secured bank loans and other banking facilities are secured by the followings:

- (i) investment properties of the Group with carrying amount of approximately HK\$5,620,000 as at 31 December 2015;
- (ii) the Group's bank deposits of approximately HK\$2,528,000 and HK\$2,532,000 as at 31 December 2015 and 2016, respectively;
- (iii) personal guarantees jointly and severally provided by Ng Lai Ming and Ng Lai Tong;
- (iv) corporate guarantees provided by M&L Engineering & Materials Limited and East Focus Engineering Services Limited; and
- (v) land and buildings of the Group with carrying amount of approximately HK\$7,907,000 as at 31 December 2015.

* The above personal guarantees (see (iii) above) will be released and replaced by the corporate guarantees provided by the Company before or upon listing of the Company.

(d) The effective interest rates of the borrowings at the balance sheet date are as follows:

	As at 31 December	
	2015	2016
Finance lease liabilities	8.4%	7.3%
Bank loans	3.0%	3.5%

(e) The carrying amounts of the borrowings approximate their fair values as at 31 December 2015 and 2016 respectively, and are denominated in the following currencies:

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK dollar	27,579	20,000
Singapore dollar	5,191	–
	<u>32,770</u>	<u>20,000</u>

28 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations:

	Year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
Profit before income tax	34,825	27,028
Adjustments for:		
Finance costs	234	814
Finance income	(26)	(14)
Depreciation	879	877
Amortisation	101	101
Provision for impairment of trade receivables	1,285	3,893
Loss on disposal of property, plant and equipment	12	–
Loss from change in fair value of investment properties	60	–
Gain from change in fair value of assets held for sale	–	(1,070)
	<u>37,370</u>	<u>31,629</u>
Cash generated from operation before change in working capital		
Changes in working capital		
Inventories	(23,209)	9,265
Trade and other receivables	(31,919)	22,430
Trade and other payables	38,943	(26,204)
Amount due to a related company	5,204	(7,772)
Balances with directors	(116)	1,694
Other provision	145	162
	<u>26,418</u>	<u>31,204</u>
Cash generated from operations	<u>26,418</u>	<u>31,204</u>

(b) In the consolidated statements of cash flows, proceeds from sale of property, plant and equipment are analysed as follows:

	Year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
Net book amount (<i>Note 13(b)</i>)	13	–
Loss on disposal of property, plant and equipment	(12)	–
	<u>1</u>	<u>–</u>
Proceeds from disposal of property, plant and equipment	<u>1</u>	<u>–</u>

29 DIVIDENDS

	Year ended 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends	45,000	11,826

Companies now comprising the Group declared and approved dividends of HK\$45,000,000 to the then shareholders for the year ended 31 December 2015.

Dividends of HK\$11,500,000 (HK\$1,150 per share) and HK\$326,000 were declared to equity holders of the Company and non-controlling interests respectively for the year ended 31 December 2016.

The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

30 CONTINGENT LIABILITIES

As at 31 December 2015 and 2016, the Group and the Company had no contingent liabilities.

31 COMMITMENTS**Operating lease commitments – as lessee**

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
No later than one year	2,118	2,702
Later than one year and no later than five years	894	1,074
	3,012	3,776

32 RELATED PARTY TRANSACTIONS

Name of and relationship with related parties are as follows:

Name	Relationship
Mr. Ng Lai Ming	Controlling shareholder
Mr. Ng Lai Tong	Director and brother of Mr. Ng Lai Ming
Mr. Cheung King	Director
Ms. Law So Lin	Spouse of Mr. Ng Lai Ming
Palmieri (China)	A subsidiary of MEK Group Company Ltd. in which Mr. Ng Lai Ming, Mr. Ng Lai Tong and Mr. Cheung King were shareholders holding 35% interests in total, and was subsequently disposed of by Mr. Ng Lai Ming, Mr. Ng Lai Tong and Mr. Cheung King on 25 January 2016

(a) Significant related party transactions

Other than those disclosed elsewhere in the Financial Information, the following transactions were carried out with related parties in the normal course of the Group's business during the Relevant Periods:

	<i>Note</i>	Year ended 31 December	
		2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
Discontinued transactions:			
Rent paid to a director and a related party	<i>(i)</i>	(205)	–
Sales of goods to a related company	<i>(ii)</i>	2,297	88
Purchases of goods from a related company	<i>(ii)</i>	(14,771)	(698)
		<u> </u>	<u> </u>

Notes:

- (i) The above transactions with a director, Mr. Ng Lai Ming and a related party, Ms. Law So Lin, were carried out in the ordinary course of business and conducted at prices mutually agreed between the relevant parties.
- (ii) The above transactions with a related company, Palmieri (China), were carried out in the ordinary course of business and conducted at prices mutually agreed between the relevant parties.

(b) Key management compensation

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2015 HK\$'000	2016 HK\$'000
Salaries, wages and other benefits	8,186	9,225
Contributions to defined contribution retirement plans	184	242
	8,370	9,467
	8,370	9,467

33 RESERVE MOVEMENT OF THE COMPANY

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 24 September 2015 (date of incorporation of the Company) and 31 December 2015	–	–	–
Total comprehensive income			
Profit for the year	–	7,968	7,968
Transactions with owner			
Net asset value of the subsidiaries acquired upon Reorganisation (<i>Note 1(b)</i>)	69,314	–	69,314
Shares issuance	9,500	–	9,500
Dividends approved in the current year	(3,532)	(7,968)	(11,500)
	75,282	–	75,282
Balance at 31 December 2016	75,282	–	75,282

34 EVENTS AFTER THE REPORTING PERIOD

- (i) By a shareholders' resolution dated 19 June 2017 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Company's shares, the Company will issue additional 449,990,000 shares, credited as fully paid, to the existing shareholders of the Company.
- (ii) The Company declared interim dividends of HK\$10,000,000 (HK\$1,000 per share) and HK\$1,120,000 to the equity holders of the Company and non-controlling interests, respectively, on 9 March 2017, and interim dividends of HK\$8,000,000 (HK\$800 per share) and HK\$350,000 to the equity holders of the Company and non-controlling interests, respectively, on 20 April 2017, for the year ended 31 December 2016.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2016 up to the date of this report. Save as disclosed in Note 34(ii) in Section II, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2016.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 7.31 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of the Group attributable to equity holders of the Company as of 31 December 2016 as if the Share Offer had taken place on 31 December 2016.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2016 or at any future dates following the Share Offer. It is prepared based on the consolidated net assets of the Group as at 31 December 2016 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2016 <i>(Note 1)</i> HK\$'000	Estimated net proceeds from the Share Offer <i>(Note 2)</i> HK\$'000	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company as at 31 December 2016 HK\$'000	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 3)</i> HK\$
Based on an Offer Price of HK\$0.40 per Share	88,628	40,049	128,677	0.21
Based on an Offer Price of HK\$0.50 per Share	88,628	54,149	142,777	0.24

Notes:

- (1) The audited consolidated net tangible assets attributable to equity holders of the Company as at 31 December 2016 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 31 December 2016 of HK\$88,628,000.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$0.40 and HK\$0.50 per Share, respectively, after deduction of the underwriting fees and other related expenses paid/payable by the Company (excluding listing expenses of approximately HK\$8.1 million which have been accounted for in the consolidated statements of comprehensive income during the Track Record Period) and takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to issue shares or General Mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 600,000,000 Shares were in issue assuming that the Share Offer and Capitalisation Issue had been completed on 31 December 2016 but takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to issue shares or General Mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.
- (4) The unaudited pro forma adjusted net tangible assets does not take into account the interim dividends of HK\$10,000,000 and HK\$8,000,000 declared to the equity holders of the Company on 9 March 2017 and 20 April 2017, respectively, for the year ended 31 December 2016. Had such dividend been taken into account, the unaudited pro forma adjusted net tangible assets per Share would be approximately HK\$0.18 (assuming an Offer Price of HK\$0.40 per Share) and approximately HK\$0.21 (assuming an Offer Price of HK\$0.50 per Share) respectively.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2016.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of M&L Holdings Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of M&L Holdings Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2016, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 30 June 2017, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 December 2016 as if the proposed initial public offering had taken place at 31 December 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 year ended 31 December 2016, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 December 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 pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 June 2017

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 24 September 2015 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and the 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 therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 19 June 2017. The following is a summary of certain provisions of the Articles:

2.1 Shares

2.1.1 Classes of shares

The share capital of the Company consists of ordinary shares.

2.1.2 Share certificates

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by two Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by

some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than four persons as joint holders of any share.

2.2 Directors

2.2.1 Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto 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 thereof, they are 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 thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in 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.

2.2.2 Power to dispose of the assets of the Company or any subsidiary

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 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.

2.2.3 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.

2.2.4 Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

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 (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.

2.2.5 Disclosure of interest in contracts with the Company or with 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 therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any

other Articles. A Director may be or become a director or other 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 thereof 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, either as vendor, purchaser or otherwise, 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 thereby established. 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 therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, 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 namely:

- (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 or 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 its subsidiaries including (i) the adoption, modification or operation of 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) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his 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), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; or
- (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 or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

2.2.6 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 amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other 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 (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) 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 other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such 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.

In addition, 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.

2.2.7 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 appointed by the Board 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 appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. 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 will 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 who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (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 shall have been lodged

at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given 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 the Board or retirement therefrom.

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 retirement by rotation provisions in the articles of association. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (a) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (b) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (c) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) if he is prohibited from being a director by law;
- (f) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (g) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

- (h) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

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 or Directors and 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.

2.2.8 Borrowing powers

Pursuant to the Articles, 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 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. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

2.2.9 Register of Directors and officers

Pursuant to the 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 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

2.2.10 Proceedings of the Board

Subject to the Articles, 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

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 by the Company by special resolution.

2.4 Variation of rights of existing shares or classes of shares

Subject to the 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 or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, 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 authorized 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.

2.5 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 thereto respectively 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; and (e) cancel shares which, at the date of the passing 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 authorized and subject to any conditions prescribed by law.

Reduction of share capital – subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

2.6 Special resolution – majority required

In accordance with the Articles, 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 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 defined in the Articles to mean 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 not less than 14 days’ notice has been given and held in accordance with the Articles. 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.

2.7 Voting rights (generally and on a poll) 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 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 the foregoing purpose as paid up on the share, and 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. Notwithstanding anything contained in the Articles, 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:

- 2.7.1 at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- 2.7.2 any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- 2.7.3 a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares 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 of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

2.8 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.

2.9 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 the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law 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 or book or document of the Company except as conferred by the 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 GEM Listing Rules, the Company may send summarized financial statements to shareholders who has, in accordance with the GEM Listing Rules, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the GEM Listing Rules, and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

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.

2.10 Notices of meetings and business to be conducted thereat

An annual general meeting of the Company must be called by at least 21 days' notice in writing, and a general meeting of the Company other than an annual general meeting 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 either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid 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 for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the GEM Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

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:

2.10.1 in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

2.10.2 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, being a majority together holding not less than 95% of the total voting rights at the meeting of all members of the Company.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (g) the granting of any mandate or authority to the Board to repurchase securities in the Company.

2.11 Transfer of shares

Subject to the Companies Law, 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 provided always that it shall be in such form prescribed by the Stock Exchange 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 in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

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 any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, 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 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 with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, 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.

2.13 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.

2.14 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:

2.14.1 all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof 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; and

2.14.2 all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. 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 on the share capital of the Company, 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 thereto 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 addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the

register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. 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 subsequently declared 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 made use of 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.

2.15 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 authorized 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 an officer or attorney duly authorised. 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 use by him 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.

2.16 Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think 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 thereof 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 the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the 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 thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him 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 will 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 it 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 time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, 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.

2.17 Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that 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 member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

2.18 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.

2.19 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 summarized in paragraph 3.6 of this Appendix.

2.20 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:

- 2.20.1 if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be 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* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

2.20.2 if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that 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 Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members 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 shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.21 Untraceable members

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.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

2.21.1 all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

2.21.2 upon the expiry of the 12 years and 3 months period (being the 3 months' notice period referred to in paragraph 2.21.3 below), the Company has not during that time received any indication of the existence of the member; and

2.21.3 the Company has caused an advertisement to be published in accordance with the GEM Listing Rules giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

2.22 Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by 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 24 September 2015 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

3.2 Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount 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 Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in 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 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, the Companies Law provides that 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.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

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 acting 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 authorized 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 authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. 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.

Under Section 37A(1) the Companies Law, 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 (a) the memorandum and articles of association of the company

do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that 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 to the company, 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 thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- 3.6.1 an act which is *ultra vires* the company or illegal;
- 3.6.2 an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- 3.6.3 an irregularity in the passing of a resolution the passage of 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 thereof 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 thereon.

Moreover, 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 in the Companies Law on the power of directors to dispose of assets of a company, however the directors have certain duties of care, diligence and skill and also 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

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that 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 the Company keeps its books of account at any place other than at its registered office or at 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:

3.10.1 that 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 in addition, that 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 twenty years from 27 October 2015.

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 certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

There is no stamp duty 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

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of the company have no general right under the Companies Law 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. The Companies Law contains 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 Winding up

A Cayman Islands company may be wound up either 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 occurs where the Company so 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; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such 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 shall be 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 has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

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 shall take 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, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized 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.

3.16 Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of 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 would have 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, nonetheless 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.

3.17 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 the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands 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.

3.18 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 Companies Law, is available for inspection as referred to in the paragraph 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 AND OUR SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 24 September 2015. Our Company has established its principal place of business in Hong Kong and was registered with the Registrar of Companies in Hong Kong as a registered non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 10 January 2017. Mr. Ng of 8th Floor, Eu Yan Sang Tower, 11-15 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong has been appointed as our authorised representative for acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, we are subject to the laws of the Cayman Islands and our constitutive documents comprising a memorandum of association and articles of association. A summary of certain parts of our constitution and relevant aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

At our incorporation, our authorised share capital was US\$50,000 divided into 5,000,000 shares of par value of US\$0.01 each (“US\$ Shares”).

On 24 September 2015, we allotted and issued one US\$ Share at par to Reid Services Limited as the initial subscriber, which was subsequently transferred to Mr. Ng at par on 24 September 2015.

Pursuant to the written resolutions of our sole shareholder passed on 9 December 2015:

- (i) our authorised share capital was increased to the aggregate of US\$50,000 and HK\$380,000 by the creation of an additional 38,000,000 Shares;
- (ii) we allotted and issued 10 Shares at par to Mr. Ng;
- (iii) we repurchased the one issued US\$ Share at par from Mr. Ng; and
- (iv) following the repurchase, our authorised but unissued share capital was diminished by the cancellation of the US\$50,000 divided into 5,000,000 US\$ Shares, so that the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares.

On 25 January 2016, we allotted and issued 459 Shares to Mr. Ng, credited as fully paid, as consideration for the acquisition of the entire issued share capital of M&L (Singapore) by BVI (2) from Mr. Ng.

On 25 January 2016, we allotted and issued 738 Shares to Mr. Ng and 318 Shares to Mr. Cheung, credited as fully paid, as consideration for the acquisition of 70% and 30% of the entire issued share capital of East Focus by BVI (3) from Mr. Ng and Mr. Cheung respectively.

On 25 January 2016, we allotted and issued 7,484 Shares to Mr. Ng and 274 Shares to Mr. Timothy Ng, credited as fully paid, as consideration for the acquisition of 92% and 3.33% of the entire issued share capital of M&L by BVI (1) from Mr. Ng and Mr. Timothy Ng respectively.

On 25 January 2016, we allotted and issued 121 Shares to Mr. Timothy Ng and 121 Shares to Mr. Cheung, credited as fully paid, as consideration for the acquisition of 12% of the entire issued share capital of M&L China by BVI (1) from each of Mr. Timothy Ng and Mr. Cheung.

On 26 January 2016, we allotted and issued 475 Shares at the aggregate consideration of HK\$9,500,000 in cash to the Pre-IPO Investor.

On 26 January 2016, Mr. Ng made the following transfer of Shares:

- (i) 100 Shares to Mr. Larry Ng at the consideration of HK\$2,000,000 in cash;
- (ii) 250 Shares to Mr. Cheung at the consideration of HK\$5,000,000 in cash;
- (iii) 250 Shares to Mr. Timothy Ng at the consideration of HK\$5,000,000 in cash; and
- (iv) 8,091 Shares to BVI (X) at par.

Further details of the above changes in share capital of our Company are set out in the paragraph headed “History and Corporate Structure – Reorganisation” in this prospectus.

Pursuant to the written resolutions of our Shareholders passed on 19 June 2017, our authorised share capital was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional 962,000,000 Shares.

Immediately following completion of the Share Offer and the Capitalisation Issue, without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, our authorised share capital will be HK\$10,000,000 divided into 1,000,000,000 Shares and the issued share capital will be HK\$6,000,000 divided into 600,000,000 Shares, all fully paid or credited as fully paid and 400,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our Shareholders passed on 19 June 2017” in this Appendix and the exercise of any options which may be granted under the Share Option Scheme, we have no present intention to issue any of our authorised but unissued share capital and, without the prior approval of the members in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of our Shareholders passed on 19 June 2017

Pursuant to the written resolutions of our Shareholders passed on 19 June 2017, among others:

- (a) our Company approved and adopted the new Memorandum and the Articles with effect from the Listing Date;
- (b) subject to the conditions stated in the paragraph headed “Structure of the Share Offer – Conditions of the Share Offer” in this prospectus being fulfilled or waived:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph D of this Appendix, were approved and adopted and our Directors were authorised to implement the same, grant options to subscribe for shares of our Company thereunder and to allot, issue and deal with such shares pursuant thereto;
 - (iii) 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 pursuant to, or in consequence of, the Share Offer and the Capitalisation Issue, a rights issue or pursuant to the exercise of any subscription rights under any warrants or convertible securities or any options under the Share Option Scheme or any other option scheme or under any scrip dividend schemes or other similar arrangements or a specific authority granted by our Shareholders or an issue of shares in lieu of the whole or part of a dividend on shares in accordance with the articles of association of our Company from time to time) shares or securities or options convertible into shares and to make and grant offers, agreements and options which would or might require shares to be allotted and issued (whether or not such securities or options involve the allotment or issue of shares during or after the Relevant Period (as defined below)) with an aggregate nominal value not exceeding 20% of the aggregate nominal value of our share capital in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any shares which may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme), and such mandate to remain in effect during the Relevant Period. “**Relevant Period**” means the period from the date of passing the resolution until whichever is the earliest of:
 - (aa) the conclusion of our next annual general meeting; or
 - (bb) the expiration of the period within which our next annual general meeting is required by the memorandum of association and the Articles of our Company or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

- (cc) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying such mandate;
- (iv) a general unconditional mandate (“**Repurchase Mandate**”) was given to our Directors authorising them to exercise all the powers of our Company to repurchase on the Stock Exchange, or any other stock exchange on which our shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements of the GEM Listing Rules (or of such other stock exchange), such number of shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of our share capital in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any shares which may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme), and such mandate to remain in effect during the Relevant Period (as defined in sub-paragraph (iii) above); and
- (v) the general unconditional mandate mentioned in sub-paragraph (iii) above was extended by the addition to the aggregate nominal value of our share capital which may be allotted or issued or agreed to be allotted or issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of our share capital repurchased by our Company pursuant to the Repurchase Mandate, provided that such extended value shall not exceed 10% of the aggregate nominal value of our share capital in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme) (i.e. 60,000,000 Shares);
- (c) subject to our share premium account being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$4,499,900, standing to the credit of our share premium account by applying such sum to pay up in full at par 449,990,000 Shares, such Shares to be allotted and issued as fully paid to BVI (X) as to 364,086,909 Shares, Mr. Cheung as to 31,004,311 Shares, Mr. Timothy Ng as to 29,024,355 Shares, Mr. Larry Ng as to 4,499,900 Shares and Pre-IPO Investor as to 21,374,525 Shares (the “**Capitalisation Issue**”).

4. Reorganisation

The companies in our Group underwent the Reorganisation in preparation for the Listing, details of which are set out in the paragraph headed “History and Corporate Structure – Reorganisation” of this prospectus.

5. Changes in share capital of subsidiaries

Our subsidiaries are listed in the accountants' report set out in Appendix I to this prospectus. Other than the alterations described in the paragraphs headed "Our Subsidiaries" and "Reorganisation" under the section headed "History and Corporate Structure" in this prospectus, there has been no other alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase of securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of Shares.

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies with a primary listing on the GEM to purchase their shares on the GEM subject to certain restrictions.

(i) *Shareholders' approval*

The GEM Listing Rules provide that all proposed repurchases of shares (which must be fully paid) by a company with a primary listing on the GEM must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on 19 June 2017, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising them to exercise all the powers of our Company to repurchase on the Stock Exchange, or any other stock exchange on which our Shares may be listed and recognized by the SFC and the Stock Exchange for this purpose, such number of shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of our share capital in issue immediately following completion of the the Share Offer and the Capitalisation Issue (without taking into account of any shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), and the Repurchase Mandate shall remain in effect during the Relevant Period (as defined in paragraph A3(b)(iii) above).

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws of the Cayman Islands and the GEM Listing Rules. A company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange 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 shares made for the purpose of the repurchase or, if authorised by the Memorandum and the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account or, if authorised by the Memorandum and the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The GEM Listing Rules prohibit our Company from knowingly repurchasing the shares from a "core connected person", which includes a director, chief executive or substantial shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell shares to our Company, on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per share and will only be made when our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Exercise of the Repurchase Mandate

The total number of Shares which we may repurchase on the Stock Exchange may not exceed 10% of the aggregate number of Shares in issue. Exercise in full of the Repurchase Mandate, on the basis of 600,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue, without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, could accordingly result in up to 60,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Effect on working capital or gearing position

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 were 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. 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*

Save as described in the paragraph headed “Further Information about our Company and our Subsidiaries – Changes in share capital of our Company” in this Appendix, no repurchase of Shares had been made by our Company since incorporation.

Under the GEM Listing Rules, shares proposed to be repurchased by a company must be fully paid-up. Under Cayman Islands law, any shares repurchased will be treated as cancelled on repurchase.

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Repurchase Mandate is exercised to sell any shares to our Company or our subsidiaries.

No core connected person of our Company has notified us that he has a present intention to sell shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

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 Articles and the applicable laws of the Cayman Islands.

If as a result of a repurchase of the Shares pursuant to the Repurchase Mandate, a Shareholder’s proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders’ interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

- (a) a sale and purchase agreement dated 25 January 2016 entered into between Mr. Ng and our Company, pursuant to which Mr. Ng agreed to sell 50,000 shares in the capital of M&L (Singapore) (representing the entire issued share capital of M&L (Singapore)) and our Company agreed to procure BVI (2) to purchase such shares, in consideration of our Company agreeing to issue and allot 459 Shares to Mr. Ng;
- (b) a sale and purchase agreement dated 25 January 2016 entered into among Mr. Ng, Mr. Cheung and our Company, pursuant to which Mr. Ng and Mr. Cheung respectively agreed to sell 70,000 shares and 30,000 shares in the capital of East Focus, (representing in aggregate the entire issued share capital of East Focus) and our Company agreed to procure BVI (3) to purchase such shares, in consideration of our Company agreeing to issue and allot 738 Shares to Mr. Ng and 318 Shares to Mr. Cheung;
- (c) a sale and purchase agreement dated 25 January 2016 entered into among Mr. Ng, Mr. Timothy Ng and our Company, pursuant to which Mr. Ng and Mr. Timothy Ng respectively agreed to sell 13,800,000 shares and 500,000 shares in the capital of M&L (representing in aggregate 95.33% of the entire issued share capital of M&L) and our Company agreed to procure BVI (1) to purchase such shares, in consideration of our Company agreeing to issue and allot 7,484 Shares to Mr. Ng and 274 Shares to Mr. Timothy Ng;
- (d) a sale and purchase agreement dated 25 January 2016 entered into among Mr. Timothy Ng, Mr. Cheung and our Company, pursuant to which Mr. Timothy Ng and Mr. Cheung respectively agreed to sell 1,200 shares and 1,200 shares each in the capital of M&L China (representing in aggregate 24% of the entire issued share capital of M&L China) and our Company agreed to procure BVI (1) to purchase such shares, in consideration of our Company agreeing to issue and allot 121 Shares to Mr. Timothy Ng and 121 Shares to Mr. Cheung;
- (e) the Pre-IPO Subscription Agreement;










- (f) a preliminary property sale and purchase agreement dated 30 November 2016 entered into among East Focus as seller, Tsui Wai Kuen as buyer and 房地產物業顧問 (Fongs Property Agency) as the agent in relation to the sale and purchase of the property located at Unit 44, 3rd Floor, World Trade Square, No. 21 On Lok Mun Street, Fanling, New Territories at the consideration of HK\$3,313,200;
- (g) a preliminary property sale and purchase agreement dated 30 November 2016 entered into among M&L as seller, Chu Kuen as buyer and 房地產物業顧問 (Fongs Property Agency) as the agent in relation to the sale and purchase of the property located at Unit 45, 3rd Floor, World Trade Square, No. 21 On Lok Mun Street, Fanling, New Territories at the consideration of HK\$3,389,100;
- (h) the Non-competition Deed;
- (i) the Deed of Indemnity;
- (j) the deed of representations, warranties, undertakings and indemnities relating to our Group dated 19 June 2017 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of the other members of our Group), pursuant to which our Controlling Shareholders agreed to give to us certain representations, warranties, undertakings and indemnities relating to us, as part of the arrangements agreed to by our Controlling Shareholders in respect of the Listing;
- (k) a cornerstone investor placing agreement dated 21 June 2017 entered into among Best Captain Holdings Limited, Aristo (as one of the Joint Bookrunners) and our Company, pursuant to which Best Captain Holdings Limited agreed to subscribe for 10,680,000 Shares at the Offer Price, as described in the section headed “Cornerstone Investor” in this prospectus; and
- (l) the Public Offer Underwriting Agreement.

2. Intellectual property




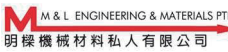
As of the Latest Practicable Date, our Group held the following intellectual property rights which may be material to our business:

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks in Hong Kong which, in the opinion of our Directors, may, in the future, be material to our business:

No.	Trademark	Registered Owner	Class	Registration Number	Duration of Validity
1.	 	M & L	6, 7 & 37	303543309	21 September 2015 to 20 September 2025
2.	 	M & L	6, 7 & 37	303543291	21 September 2015 to 20 September 2025
3.	 	M & L	6, 7 & 37	303543282	21 September 2015 to 20 September 2025
4.	 	M & L	6, 7 & 37	303543264	21 September 2015 to 20 September 2025
5.		East Focus	6, 7 & 37	303543273	21 September 2015 to 20 September 2025

As of the Latest Practicable Date, we have registered the following trademarks in Singapore which, in the opinion of our Directors, may, in the future, be material to our business:

No.	Trademark	Registered Owner	Class	Registration Number	Duration of validity
1.		M&L (Singapore)	6, 7 & 37	40201523176Y	29 December 2015 to 28 December 2025
2.		M&L (Singapore)	6, 7 & 37	40201523179Q	29 December 2015 to 28 December 2025
3.		M&L (Singapore)	6, 7 & 37	40201523181T	29 December 2015 to 28 December 2025
4.		M&L (Singapore)	6, 7 & 37	40201523180Y	29 December 2015 to 28 December 2025

(b) Domain Name

As of the Latest Practicable Date, we had registered the following domain name which, in the opinion of our Directors, may be material to our business:

Domain Name	Registrant	Date of Registration	Expiry Date
http://www.mleng.com/	Company	19 February 2004	19 February 2019

The contents of this website, registered or licensed, do not form part of this prospectus.

Save as aforesaid, there are no other trademarks or other intellectual property rights which are material in relation to our business.

C. DISCLOSURE OF INTEREST**1. Directors' service contracts**

- (a) We have entered into a service contract with each of our executive Directors on 19 June 2017. Each contract is for an initial fixed term of 3 years commencing from the Listing Date and shall continue thereafter until terminated by either party by giving 3 months' notice in writing at any time after such initial fixed term to the other, provided that we may terminate the contract by giving to the Director not less than 3 months' prior notice in writing at any time after the date of the contract. The appointment shall terminate automatically in the event of the executive Director ceasing to be a Director for whatever reason.
- (b) We have entered into a letter of appointment with each of our independent non-executive Directors on 19 June 2017. Each letter of appointment is for a term of 2 years commencing from the Listing Date, provided that either our Company or our independent non-executive Director may terminate such appointment at any time by giving at least one month's notice in writing to the other. The appointment shall terminate automatically in the event of our independent non-executive Director ceasing to be a Director for whatever reason.
- (c) Save as set out herein, we have not entered, and do not propose to enter, into any service contracts with any of our Directors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Remuneration

- (a) Save as disclosed under Note 9 to the financial information in the Accountants' Report set out in Appendix I to this prospectus, no other emoluments have been paid or are payable by our Group to our Directors in respect of the financial years ended 31 December 2015 and 31 December 2016.
- (b) Directors' emoluments (including remuneration, benefits in kind, pension contribution and discretionary bonus) of approximately HK\$4,987,000 and HK\$5,479,000 in aggregate were paid and granted by our Group to our Directors in respect of the financial years ended 31 December 2015 and 31 December 2016 respectively.

Under the current arrangements, it is expected that our Directors would receive compensation (including remuneration and benefits in kind, but excluding any discretionary bonus or options under the Share Option Scheme which may be granted) from our Group for the financial year ending 31 December 2017 in the aggregate amount of approximately HK\$4,080,600.

- (c) Save as disclosed herein, none of our Directors or any past directors of any member of our Group has been paid any sum of money or shares or otherwise for the two financial years ended 31 December 2015 and 2016 (i) as an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group; or (iii) for services rendered in connection with the promotion or formation of our Group.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two financial years ended 31 December 2015 and 2016.
- (e) Under the arrangement currently proposed, conditional upon the Listing, the basic annual remuneration (excluding any discretionary bonus or options under the Share Option Scheme which may be granted to our executive Directors or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	Annual (HK\$)
Mr. Ng	936,000
Mr. Cheung	910,000
Mr. Timothy Ng	897,000
Mr. Larry Ng	884,000

Each of Mr. Timothy Ng and Mr. Cheung may be entitled to a discretionary bonus, which shall not exceed HK\$3,000,000 per annum (per person), and is expected to be determined with reference to his performance, contribution and the gross profit of our tunnelling business in China (in the case of Mr. Timothy Ng), and the gross profit of our fabricated construction steel works and foundation business (in the case of Mr. Cheung).

In addition, each of our executive Directors may also be entitled to a discretionary bonus determined by our Board provided that the aggregate amount of bonuses payable to all our executive Directors for any financial year may not exceed 5 percent of the audited consolidated net profits of our Group after taxation and minority interests but before extraordinary items attributable to our Shareholders of the relevant year.

Independent non-executive Directors	Annual (HK\$)
Tai Wai Kwok	150,000
Lo Kok Keung	150,000
Lau Chi Leung	150,000

Such fees may be reviewed annually after each year of service by our remuneration committee. Any adjustment of fees must be recommended by our remuneration committee and approved by our Board.

- (f) Each of our Directors is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his duties.

3. Disclosure of Interests of our Directors

Immediately following completion of the Share Offer and the Capitalisation Issue, without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme, our Directors or chief executive have the following interests and short positions of in the shares, underlying shares or debentures of our Company and our associated corporations (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 under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, once our Shares are listed:

(a) Long position in our Shares

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Ng	Interest in a controlled corporation (<i>note 1</i>)	364,095,000	60.68%
Mr. Cheung	Beneficial owner	31,005,000	5.17%
Mr. Timothy Ng	Beneficial owner	29,025,000	4.84%
Mr. Larry Ng	Beneficial owner	4,500,000	0.75%

Notes:

- (1) The 364,095,000 Shares are owned by BVI (X), which is wholly owned by Mr. Ng. Mr. Ng is deemed to be interested in the Shares held by BVI (X) under the SFO.
- (2) Mr. Ng is the brother of Mr. Timothy Ng and Mr. Larry Ng.

(b) *Long position in the shares of BVI (X), an associated corporation of our Company*

Name of Director	Nature of interest	Number of ordinary shares of US\$1 each	Percentage of shareholding
Mr. Ng	Beneficial owner	1	100

4. Substantial Shareholders

For information on the persons who will, immediately following completion of the Share Offer and the Capitalisation Issue, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required pursuant to section 336 of the SFO to be entered in the register referred to therein, please see the section headed “Substantial Shareholders” of this prospectus.

So far as our Directors are aware and save as disclosed in this prospectus, as at the Latest Practicable Date, no person was 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.

5. Fees or commission received

Save as disclosed in the paragraph headed “Commission, fee and expenses” in the section headed “Underwriting” in this prospectus, none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

6. Related party transactions

Details of our related party transactions during the two years preceding the date of this prospectus are set out under notes 25, 26 and 32 to the accountants’ report set out in Appendix I to this prospectus and the section headed “History and Corporate Structure – Reorganisation” in this prospectus.

7. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or upon the exercise of any options under the Share Option Scheme, so far as is known to any Director or our chief executive, immediately following the completion of the Share Offer and the Capitalisation Issue, no person (other than our Directors or chief executive of our Company) will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required pursuant to section 336 of the SFO to be entered in the register referred to therein or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (b) none of our Directors or the chief executive has any interests or short positions in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules;
- (c) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this Appendix is interested, directly or indirectly, in our promotion, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and
- (e) save in connection with the Underwriting Agreements, none of the experts named in the paragraph headed “Qualifications of experts” in this Appendix is interested legally or beneficially in any of our Shares or any shares in any other member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our Shares or any securities in any member of our Group.

D. SHARE OPTION SCHEME

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of our Shareholders passed on 19 June 2017 are set out below. For the purposes of this section, “Shares” means ordinary shares of HK\$0.01 each of our Company as of the date of this prospectus, or, if there has been a sub-division, consolidation, re-classification or re-construction of the share capital of our Company, shares forming part of the ordinary equity share capital of our Company of such other nominal amount as shall result from any such sub-division, consolidation, re-classification or re-construction from time to time:

1. Purpose of the Share Option Scheme

The Share Option Scheme is a share incentive scheme and provides our Company with an alternative means of recognizing, motivating and giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Eligible Participants (as defined below) and for such other purposes as our Board may approve from time to time. The Share Option Scheme will provide the Eligible Participants with an opportunity to have a personal stake in our Company with a view to achieving the following objectives:

- (a) to motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and
- (b) to attract and retain or otherwise maintain relationships with the Eligible Participants whose contributions are, will or expected to be beneficial to the growth of our Group.

For the purpose of the Share Option Scheme, “**Eligible Participants**” means any person who satisfies the eligibility criteria in paragraph 2 below.

2. Who may join and basis of eligibility

The Board may at its discretion grant options to:

- (a) any Eligible Employees or proposed Eligible Employees. “**Eligible Employees**” in this section means employees (whether full time or part time, including any executive director but excluding any non-executive director) of our Company, any subsidiary or any entity in which our Group holds at least 20% of its issued share capital (“**Invested Entity**”);
- (b) any non-executive directors or proposed non-executive directors (including independent non-executive directors or proposed independent non-executive directors) of our Company, any subsidiary or any Invested Entity;
- (c) any supplier of goods or services to any member of our Group or any Invested Entity;

- (d) any customer of any member of our Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, options may be granted to any company wholly owned by one or more Eligible Participants.

The basis of eligibility of any participant to be granted any option shall be determined by the Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

The Board may impose such terms and conditions of the offer of grant either on a case-by-case basis or generally as are not inconsistent with the Share Option Scheme including but not limited to the minimum period for which an option must be held before it can be exercised.

3. Exercise Price of Shares

The exercise price for any Share under the Share Option Scheme shall be a price determined by the Board and shall not be less than the highest of: (a) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the offer date of the relevant option, which must be a day on which the Stock Exchange is open for the business of dealing in securities (a "**Trading Day**"); (b) an amount equivalent to the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the offer date of the relevant option; and (c) the nominal value of a Share on the offer date. For the purpose of calculating the exercise price where our Company has been listed for less than five Trading Days, the Offer Price of our Shares shall be used as the closing price of our Shares for any Trading Days falling within the period before the Listing Date.

4. Grant of options and acceptance of offers

An offer for the grant of options shall be deemed to have been accepted when our Company receives the letter containing the offer duly signed by the grantee together with a remittance of HK\$0.50 (or such other nominal sum in any currency as the Board may

determine) in our favor as consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Eligible Participant.

5. Maximum number of Shares

- (a) Subject to sub-paragraphs (b) to (e) below, the maximum number of Shares which may be issued upon exercise of all options which may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of our Shares in issue as at the Listing Date (i.e. 60,000,000 Shares) (the “**Scheme Mandate Limit**”) unless approved by our Shareholders pursuant to sub-paragraph (c) below. Options lapsed in accordance with the terms of the scheme(s) will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (b) Subject to sub-paragraphs (c) to (e) below, the Scheme Mandate Limit may be refreshed by our Shareholders in general meeting from time to time provided always that the Scheme Mandate Limit so refreshed must not exceed 10% of our Shares in issue as at the date of approval of such refreshed limit by our Shareholders. Upon such refreshment, all options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) prior to the approval of such refreshment shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. A circular must be sent to our Shareholders containing such relevant information from time to time as required under the GEM Listing Rules in connection with the general meeting at which their approval is sought.
- (c) Subject to sub-paragraphs (d) and (e) below, our Company may seek separate shareholders’ approval in general meeting for granting options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to our Shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options and such other relevant information from time to time as required under the GEM Listing Rules in relation thereto.
- (d) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group must not, in aggregate, exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes adopted by our Group if such grant will result in the said 30% limit being exceeded.

- (e) If our Company conducts a share consolidation or subdivision after the Scheme Mandate Limit has been approved in general meeting, the maximum number of Shares that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes under the Scheme Mandate Limit as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same.

6. Maximum entitlement of each participant

Unless approved by the Shareholders in the manner set out below, the total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant under the Share Option Scheme and any other share option schemes of our Company (including exercised, cancelled and outstanding share options) in any 12-month period must not exceed 1% in aggregate of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be subject to the following requirements:

- (a) separate approval of our Shareholders in general meeting, with such Eligible Participant and its close associates (or its associates, if such Eligible Participant is a connected person) abstaining from voting;
- (b) a circular in relation to the proposal for such further grant must be sent by our Company to our Shareholders with such information from time to time as required under the GEM Listing Rules, including the identity of the Eligible Participant and the number and terms of the options to be granted (and options previously granted to such Eligible Participant);
- (c) the number and terms (including the exercise price) of the options to be granted to such proposed grantee must be fixed before our Shareholders' approval mentioned in (a) above; and
- (d) the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price for the Shares in respect of such further options.

7. Requirements on granting options to certain connected persons

Any grant of options to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates, must be approved by our independent non-executive Directors (excluding an independent non-executive Director who or whose associate is a proposed grantee).

Where any grant of options to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates would result in the total number of our Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the total number of Shares in issue; and
- (b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by our Shareholders where the grantee, its associate and all our core connected persons must abstain from voting in favor at such general meeting. Our Company will send a circular to our Shareholders containing the information required under the GEM Listing Rules (including details of the number and terms (including the exercise price) of the options to be granted to each participant, which must be fixed before the 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 exercise price for the Shares in respect of such further options). Such Shareholders' approval is also required for any change in the terms of options granted to an Eligible Participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates.

The requirements for the granting of options to a Director or chief executive of our Company set out in this paragraph 7 do not apply where the Eligible Participant is only a proposed Director or chief executive of our Company.

8. Restrictions on the time of grant of options

No option shall be granted after inside information has come to our knowledge until we have announced the information. In particular, we may not grant any option during the period commencing one month immediately before the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange under the GEM Listing Rules) for approving our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (b) the deadline for our Company to announce its results for any year, half-year or quarter period under the GEM Listing Rules or any other 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 during any period of delay in publishing a results announcement. "Inside information" has the meaning defined in the SFO.

The Board may not make any offer to an Eligible Participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

9. Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the offer date subject to the provisions of early termination contained in the offer and the Share Option Scheme, and provided that the Board may determine the minimum period for which an option has to be held or other restrictions before its exercise.

The grantee shall not exercise an option to the extent that the public float of our Company will be less than 25% (or such higher percentage as required by the Stock Exchange or the GEM Listing Rules) of our issued share capital immediately after the issue and allotment of our Shares upon such exercise of the option.

10. Performance targets, minimum holding period

Save as determined by the Board and provided in the offer of grant of the options, there is no performance target that must be achieved nor any minimum period for which an option must be held before the options can be exercised.

11. Rights attached to the options and Shares

The options do not carry any right to vote at general meetings of our Company, or any dividend, transfer or other rights (including those arising on the winding up of our Company). No grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an option pursuant to the Share Option Scheme, unless and until the Shares underlying the option are actually allotted and issued to the grantee pursuant to the exercise of such option.

Our Shares to be allotted and issued upon exercise of an option shall be subject to all the provisions of the Articles and will rank *pari passu* in all respects with our then existing fully paid Shares in issue on the allotment date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date other than any dividends or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the allotment date. Any Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into our register of members as the holder thereof.

12. Rights are personal to grantee

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favor of any third party over or in relation to any option or enter into any agreement so to do.

13. Rights on cessation of employment

- (a) In the event of death of a grantee (being an individual) before exercising the option in full, his personal representatives may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not already exercised) within a period of 12 months following his death or such longer period as the Board may determine.
- (b) In the event of a grantee who is an Eligible Employee ceasing to be an Eligible Employee for any reason, other than his death or pursuant to paragraph 18(e), the grantee may exercise the option (to the extent exercisable as at the date of such cessation and not already exercised) within 30 days following such cessation or such longer period as the Board may determine.

14. Effects of alterations to share capital

In the event of any of our alteration in the capital structure while an option remains exercisable or the Share Option Scheme remains in effect, whether by way of 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 to which the Share Option Scheme or any option(s) relate 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 must be made in compliance with the GEM Listing Rules, give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled and shall be made on the basis that the aggregate exercise price payable by a grantee 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 provided that in such circumstance, the exercise price shall be reduced to the nominal value. 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, our independent financial adviser or auditors must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules.

15. Rights on a general offer

If a general or partial offer (whether by way of takeover offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror), our Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and

assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the offer becomes or is declared unconditional and not already exercised) in full or in part at any time within 14 days after the date on which the offer becomes or is declared unconditional.

16. Rights on winding-up

In the event notice is given by our Company to our Shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), our Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise all or any of his/her options (to the extent exercisable as at the date of the notice of meeting and not already exercised) at any time not later than 2 Trading Days (excluding any period(s) of closure of our share registers) prior to the proposed meeting of our Company to consider the winding-up 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 share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

17. Rights on compromise or arrangement

In the event of a compromise or arrangement (other than by way of a general or partial offer pursuant to paragraph 15 above) between our Company and its members or creditors being proposed in connection with a scheme for the restructuring, reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme, and thereupon the grantee shall be entitled to exercise all or any of his/her option(s) (to the extent which has become exercisable as at the date of the notice and not already exercised) at any time not later than 2 Trading Days (excluding any period(s) of closure of our share registers) prior to the proposed meeting, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective.

Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme and our Company may require the grantees to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantees in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

18. Lapse of options

An option shall automatically lapse and not be exercisable on the earliest of:

- (a) the expiry of the option period;
- (b) the expiry of any of the periods referred to in paragraph 13 above;
- (c) subject to the period referred to in paragraph 16 above, the date of the commencement of the winding-up of our Company;
- (d) subject to the compromise or arrangement becoming effective, the expiry of the period referred to in paragraph 17 above;
- (e) the date on which the grantee who is an Eligible Employee ceases to be an Eligible Employee by reason of summary dismissal or being dismissed for misconduct or other breach of the terms of his employment contract or other contract constituting him an Eligible Employee, or the date on which he begins to appear to be unable to pay or has no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his or her creditors generally or on which he has been convicted of any criminal offence involving his or her integrity or honesty, unless otherwise resolved to the contrary by the Board;
- (f) in respect of a grantee other than an Eligible Employee, the date on which the Board shall determine that (i) (aa) such grantee has committed any breach of any contract entered into between such grantee on the one part and our Group or any Invested Entity on the other part; or (bb) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in sub-paragraph (i) (aa), (bb) or (cc) above, unless otherwise resolved to the contrary by the Board;
- (g) the expiry of the period referred to in paragraph 15 above; and
- (h) the date on which the grantee commits a breach of paragraph 12 or any terms or conditions attached to the grant of the option or an event, in respect to a grantee, referred to in (2) below occurs, unless otherwise resolved to the contrary by the Board.

If the grantee is a company wholly owned by one or more Eligible Participants:

- (1) the provisions of paragraphs 13(a) and (b), 18(e) and (f) shall apply to the grantee and to the options granted to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 13(a) and/or (b), and/or 18(e) and/or (f) shall occur with respect to the relevant Eligible Participant; and
- (2) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant,

provided that the Board may decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

19. Cancellation of options granted but not yet exercised

The Board shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available but unissued options (excluding the cancelled options) within the limit approved by our Shareholders as mentioned in the Share Option Scheme from time to time.

20. Period of the Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years after the adoption date, after which no further options may be issued. Subject to the above, in all other respects, in particular, in respect of options remaining outstanding, the provisions of the Share Option Scheme shall remain in full force and effect.

21. Alteration to the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that the terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules (or any other relevant provisions of the GEM Listing Rules from time to time applicable) cannot be altered to the advantage of grantees or prospective grantees without the prior approval of our Shareholders in general meeting. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction of such majority of the grantee as would be required of our Shareholders under the Articles for a variation of the rights attached to Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of our Directors or administrators of the Share Option Scheme in relation to any alterations to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

The amended terms of the Share Option Scheme and/or the options must continue to comply with the relevant provisions of the GEM Listing Rules and supplementary guidance on the interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Scheme).

Subject to the above paragraphs, the Board may at any time alter, amend or modify the terms and conditions of the Share Option Scheme such that the provisions of the Share Option Scheme would comply with all relevant legal and regulatory requirements in all relevant jurisdictions to the extent as considered necessary by the Board to implement the terms of the Share Option Scheme.

22. Termination to the Share Option Scheme

Our Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event, no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

Options complying with the provisions of the GEM Listing Rules which are granted during the life of the Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

23. Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (a) the conditions set out in the section headed “Structure of the Share Offer – Conditions of the Share Offer” in this prospectus being fulfilled; and (b) the commencement of dealings in our Shares on the Stock Exchange.

As at the Latest Practicable Date, no option had been granted by our Company under the Share Option Scheme. An application has been made to the Listing Division for the approval of the listing of, and permission to deal in our Shares to be issued and allotted by our Company pursuant to the exercise of options that may be granted under the Share Option Scheme in respect of up to 10% of our Shares in issue as at the Listing Date (i.e. 60,000,000 Shares).

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the

exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnities

Our Controlling Shareholders (the “**Indemnifiers**”) have pursuant to the Deed of Indemnity, given indemnities on a joint and several basis in favour of our Company (for itself and as trustee for each of its subsidiaries) in connection with, among others, (i) any taxation falling on 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 on or before the date on which the Share Offer becomes unconditional (the “**Effective Date**”); or any act, omission or event occurring or deemed to occur on or before the Effective Date; and (ii) estate duty which is or becomes payable by us as a result of any event or transaction occurring on or before the Effective Date.

Pursuant to the Deed of Indemnity, the Indemnifiers have also undertaken to indemnify us against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us as a result of our non-compliance with the IAE Ordinance and its subsidiary regulations prior to the Effective Date, and which have not been paid or settled by us as at the Effective Date.

The Indemnifiers will however, not be liable under the Deed of Indemnity for taxation and other liabilities where:

- (a) to the extent (if any) to which provision, reserve or allowance has been made for such taxation and other liabilities and claims in the accountants’ report set out in Appendix I to this prospectus (the “**Accounts**”);
- (b) to the extent that any taxation and other liabilities and claims falling on any of the members of our Group on or after the Effective Date except for such taxation and other liabilities and claims which would not have arisen but for any act or omission of, or transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction) prior to the Effective Date with the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Effective Date; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Effective Date;

- (c) to the extent that any provisions or reserve made for taxation or other liabilities and claims 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 or other liabilities and claims shall be reduced by an amount not exceeding such provision or reserve; or
- (d) to the extent that any taxation and other liabilities and claims arises or is incurred as a result of the imposition of such taxation liabilities as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC or Singapore or any other relevant authority (whether in Hong Kong, the BVI, the PRC, Singapore or any other part of the world) coming into force after the Effective Date or to the extent that such taxation and other liabilities and claims arise or is increased by an increase in rates of such taxation and other liabilities after the Effective Date with retrospective effect.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

As of the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group is involved in any litigation, arbitration or administrative proceedings or claims of material importance, which could have a material adverse effect on our financial condition or results of operation, and, so far as we are aware, no litigation, arbitration or administrative proceedings or claims of material importance is pending or threatened against any member of our Group.

3. Application for listing of Shares

The Sponsor has made an application on our behalf to the Listing Division for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be allotted and issued upon the exercise of any options under the the Share Option Scheme in respect of up to 10% of our Shares in issue as at the Listing Date on the Stock Exchange.

4. Sponsor

The Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 6A.07 of the GEM Listing Rules.

The Sponsor will receive an aggregate fee of HK\$5.3 million for acting as the sponsor for the Listing.

5. Preliminary expenses

Our estimated preliminary expenses are approximately HK\$33,540 and has been paid by us.

6. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, security or other benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

7. Qualifications of experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

Name	Qualification
Investec Capital Asia Limited	A licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Appleby	Legal advisers as to Cayman Islands law
Hastings & Co.	Legal advisers as to Hong Kong law
Leung Wai Keung, Richard	Barrister-at-Law, Hong Kong
Li Chung Yin Tony	Barrister-at-Law, Hong Kong
Shu Jin Law Firm	Legal advisers as to PRC law
Shook Lin & Bok LLP	Legal advisers as to Singapore law
Ipsos Limited	Industry consultant
BDO Financial Services Limited	Internal control consultant

8. Consents of experts

Each of the parties listed in the paragraph headed “Qualifications of experts” has given and has not withdrawn their respective written consent to the issue of this prospectus with the inclusion of their letters, and/or reports, and/or valuation certificates, and/or opinions or statements and/or references to their names (as the case may be) herein in the form and context in which they are respectively included.

9. No Material Adverse Change

Save as disclosed under the paragraph headed “Financial information – Listing expense” in this prospectus, our Directors confirm that up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2016 (being the date to which the latest audited consolidated financial statements of our Group were made up).

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 penal provisions) of sections 44A and 44B of the Companies Ordinance (Miscellaneous Provisions) so far as applicable.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

12. Share registers

Our Company’s register of members will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch register of members will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfers and other documents of title to shares must be lodged for registration with and registered by, our branch share registers in Hong Kong which may not be lodged in the Cayman Islands.

13. Miscellaneous

- (a) Save as disclosed herein:
 - (i) within the two years immediately preceding the date of this prospectus: no share or loan capital of any member of our Group 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; and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group;
 - (ii) no share or loan capital of any member of our Group is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
 - (iv) there are no arrangements under which future dividends are waived or agreed to be waived; and
 - (v) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months.
- (b) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (c) None of our equity and debt securities is listed or dealt in on any stock exchange nor is any listing or permission to deal being or proposed to be sought.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) a copy of each of the Application Forms; (ii) copies of each of the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about our Business – 1. Summary of material contracts” in Appendix IV to this prospectus; and (iii) the written consents issued by each of the experts and referred to in the section headed “Statutory and General Information – E. Other Information – 8. Consents of experts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Hastings & Co., at 5th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles;
- (b) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Company for each of the financial years ended 31 December 2015 and 2016;
- (d) the report issued by PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set forth in Appendix II to this prospectus;
- (e) the industry report commissioned by our Company and prepared by Ipsos Limited;
- (f) the Hong Kong legal opinions issued by Hastings & Co. in respect of compliance of certain aspects of Hong Kong law of our Group in Hong Kong;
- (g) the Hong Kong legal opinions issued by Mr. Leung Wai Keung, Richard, our Hong Kong legal counsel as to certain aspects of Hong Kong law relating to, among other things, allotment and issue of shares of our Hong Kong subsidiary;
- (h) the Hong Kong legal opinions issued by Mr. Li Chung Yin Tony, our Hong Kong legal counsel as to certain aspects of Hong Kong law relating to the IAE Ordinance and its subsidiary regulations;
- (i) the PRC legal opinions issued by Shu Jin Law Firm, our legal advisers as to PRC law, in respect of certain aspects of our Group and property interests of our Group in PRC;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

- (j) the Singapore legal opinions issued by Shook Lin & Bok LLP, our legal advisers as to Singapore law, in respect of certain aspects of our Group and property interests of our Group in Singapore;
- (k) the letter issued by Appleby, our legal advisers as to Cayman Islands law, summarizing certain aspects of the Companies Law referred to in Appendix III to this prospectus;
- (l) the non-compliance incidents internal control review report issued by our Internal Control Consultant;
- (m) the service contracts and letters of appointment referred to in the section headed “Statutory and General Information – Disclosure of Interests – Directors’ service contracts” in Appendix IV to this prospectus;
- (n) the Companies Law;
- (o) the material contracts referred to in the section headed “Statutory and General Information – Further Information about our Business – Summary of material contracts” in Appendix IV to this prospectus;
- (p) the written consents referred to in the section headed “Statutory and General Information – Other Information – Qualifications of experts” in Appendix IV to this prospectus; and
- (q) the rules of the Share Option Scheme.



M&L Holdings Group Limited
明樑控股集團有限公司